





# Hashimoto tells banks to act over bad loans

By William Dawkins in Tokyo

Prime Minister Ryutaro Hashimoto yesterday urged Japanese bankers to restore their battered international credibility and dispose of their remaining bad loans...



Hashimoto: stern warning

The theme was echoed by Mr Wataru Kubo, the finance minister, who called on banks to rethink their lending policies...

unprecedented house-cleaning exercise by writing off Y10,000bn of bad debts...

These steps suggested to many that the banks had at last broken the back of the bad loan problem...

Mr Yasuo Matsushita, the governor of Japan's central bank, told the meeting...

Industry hit by weak demand and shift of work abroad

# Japan's job fears grow as vehicle output falls

By Michio Nakamoto in Tokyo

Japanese vehicle production fell 4.3 per cent in the first half of the year...

Total vehicle production in Japan declined to 5.1m units in the first six months...

The fall in domestic production, larger than initial industry expectations...

Vehicle production in Japan has declined since its peak of 13.5m units in 1990...

Last year, domestic production dropped 2.4 per cent to 10.2m units...

The poor first-half results stemmed from a weaker-than-forecast domestic market...

## Imports gain market hold after rising 64% in past five years

First half sales were less than 1 per cent higher than a year ago...

Separatist Tamil guerrillas are believed to have wiped out a military garrison of more than 1,000 at Mullaitivu in the north-east

# Tamil Tiger bombs kill 70 in Colombo commuter train

By Anni Jayasinghe in Colombo

At least 70 people were killed when two bombs ripped through a crowded train in Colombo yesterday...

The train bombing came as elite commandos fought to lift a week-long Tiger siege on the government military garrison in the north-eastern town of Mullaitivu...

week of riots that killed an estimated 600 Tamils after the Tigers ambushed and killed 13 soldiers of the majority Sinhalese community...

The train bombing came as elite commandos fought to lift a week-long Tiger siege on the government military garrison in the north-eastern town of Mullaitivu...

1208 government soldiers for the loss of 241 of their own men at Mullaitivu in their biggest single success against security forces...

The assault was seen as a sign that the rebels' fighting capability was largely intact even though government forces drove them out of their citadel of Jaffna...

# China and US set up top-level visits to revive closer links

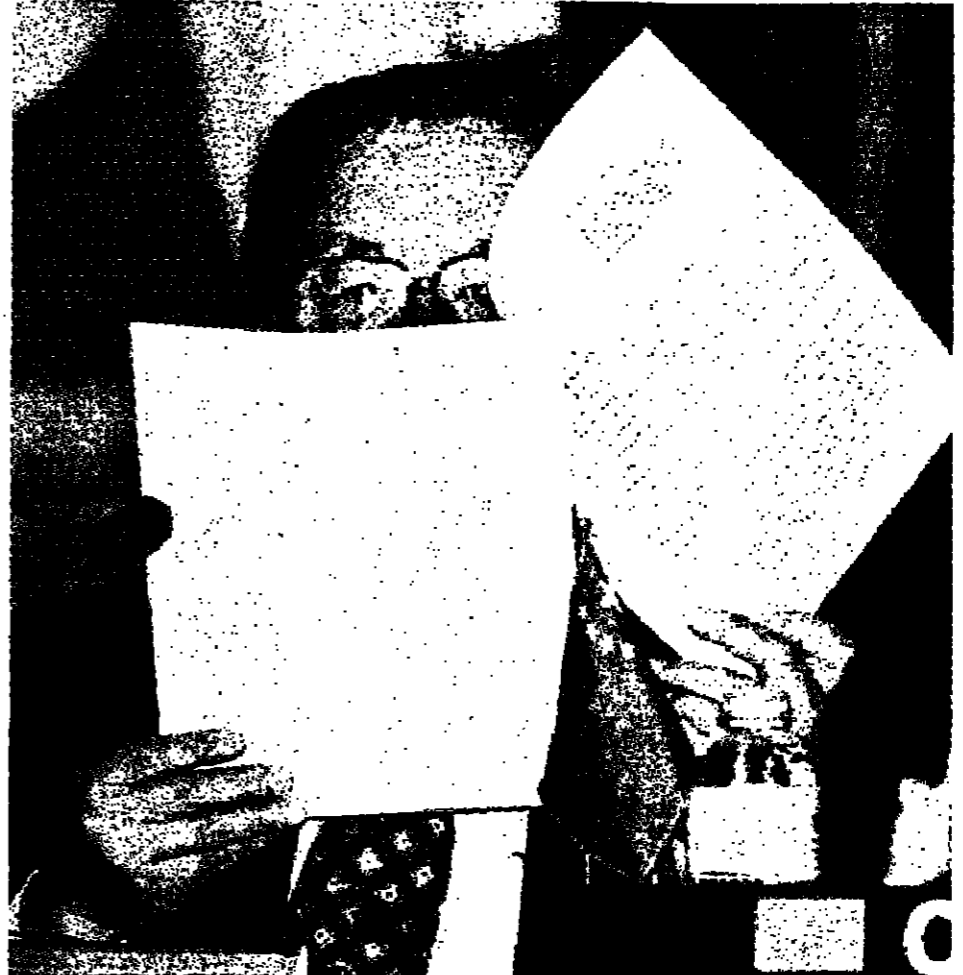
By James Kyrgis in Jakarta

The US and China announced yesterday a series of high-level visits to take place this year as part of a gradual rapprochement...

A senior US official said the visits were agreed during a "productive" 75-minute meeting between Mr Warren Christopher...

The planned visits are a realisation of Mr Christopher's stated intention to establish a more intense pattern of high-level exchange...

US-China ties have been strained by a complex of issues since Washington allowed a private visit to the US by Taiwan's President Lee Teng-hui in June last year...



Qian Qichen in Jakarta yesterday; defusing tensions with Washington

secretary of state, and Mr John Holm, director of the arms control and disarmament agency...

The tactic now was to concentrate on areas of common interest. The US noted China's co-operative attitude in urging North Korea into peace talks...

North Korea into peace talks on the Korean peninsula involving the US and its ally South Korea...

China is under pressure to sign the treaty after Mr Yevgeny Primakov, Russia's foreign minister, agreed with Mr Christopher to oppose further haggling when negotiators from 61 countries meet in Geneva next Monday.

India resisted pressure to agree to the comprehensive test ban treaty. It says all existing nuclear weapons should be scrapped...

India resisted pressure to agree to the comprehensive test ban treaty. It says all existing nuclear weapons should be scrapped and adds that simulated testing, allowed under the present draft treaty, should be banned.

# Beijing hits at nations backing Taiwan's effort to join UN

By Tony Walker in Beijing

China yesterday condemned Taiwan's effort to secure United Nations membership, accusing countries which had proposed such a step of "wantonly trampling" on the UN Charter...

"The Taiwan issue is China's internal affair. We firmly oppose the interference in China's internal affairs by any country in violation of the guidelines of the UN Charter..."

China yesterday condemned Taiwan's effort to secure United Nations membership, accusing countries which had proposed such a step of "wantonly trampling" on the UN Charter...

The Chinese foreign ministry said China stood for peaceful reunification, but Taiwan had "acted wilfully" in its attempts to "split the motherland in collusion with international anti-China forces"...

China assumed its place in the UN in 1971 on the expulsion of Taiwan. The Nationalist government in Taipei had held the seat since its retreat to Taiwan after its defeat by the Communists in 1949.

The Chinese foreign ministry said China stood for peaceful reunification, but Taiwan had "acted wilfully" in its attempts to "split the motherland in collusion with international anti-China forces"...

Beijing's strong criticism of Taiwan's UN move comes a day after a similar stern rebuke over a resolution of the European parliament which had called for Taiwan's participation in international organisations.

The official Xinhua news agency quoted a foreign ministry spokesman as saying the resolution was "gross interference" in China's internal affairs...

# Inflation dips in Australia but pressure stays on interest rates

By Nikki Tait in Sydney

Australia's annual inflation rate dipped to 3.1 per cent in the June quarter, still slightly above the Reserve Bank of Australia's desired 2.5 per cent range...

The "underlying" inflation rate, which attempts to strip out one-off, distorting factors, also stood at 3.1 per cent. Prices rose 0.7 per cent in the June quarter alone...

These have remained unchanged since the three rate increases in late 1994. The Reserve Bank now has to wait a little longer before it can be absolutely confident...

inflation is heading significantly downward," analysts at Bankers Trust said.

Commenting on the figures, Mr Peter Costello, federal treasurer, noted that inflation was only "fractionally" above the RBA's target range and should result in reduced pressure on interest rates.

But he stressed the need for both employees and employers to negotiate responsible wage increases.

"We want to get the growth in wages back in the band of 4 to 5 per cent," he said. Allowing for productivity improvements, this is the average level thought sustainable by the Reserve Bank.

Unless this happens, it says, "Australia's need for foreign saving will remain high, and this will be a major constraint on medium-term growth."

The newly elected government clearly understands this difficulty and its proposals for dealing with the savings/investment gap in the short-term are far bolder than plans outlined by the previous government...

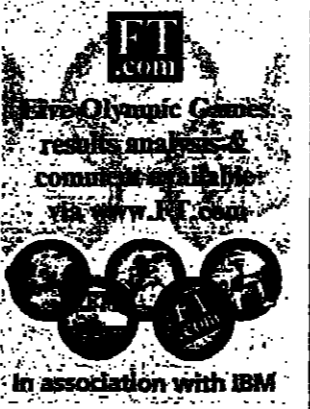
It points to the efforts at present under way to reduce the federal budget deficit. But Moody's adds: "Solving the medium-term savings problem will require innovative approaches."

"If the government has a problem implementing major structural reforms that will affect the medium-term savings rate, and if it wants to improve the savings balance in the future, it will have increasingly to rely on fiscal policy..."

A legal challenge to the Northern Territory's controversial voluntary euthanasia law has been dismissed by the NT Supreme Court.

The new law came into force this month, and makes the Northern Territory one of the very few jurisdictions worldwide where voluntary euthanasia is officially permitted.

Any usage of the "Rights of the Terminally III" act has been hindered by the legal challenge. Yesterday's ruling may not end the uncertainty. An appeal to the High Court is thought likely...



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## OBITUARY

It is with deep regret that we announce the death of Didier Foulon, who was amongst the victims of the TWA explosion on July 17th 1996.

### Mr. Didier Henri Foulon

Mr. Foulon, who was 40, joined Benckiser in 1987. He provided leadership in a number of key positions in both the cosmetics and fragrances and household products division of the company...

We shall honour his memory.

The management board and employees of Coty Inc. and its parent company Joh A. Benckiser GmbH.

NEWS: THE AMERICAS

# Politics sets tone for US sanctions law

Nancy Dunne and Robert Corzine on legislation aimed at punishing Iran and Libya

Mr Bill Clinton, the US President, would have wide discretion in deciding what sanctions he imposes on companies investing in Libya and Iran if, as expected, he signs legislation approved on Tuesday by Congress. Much will depend on the political climate in which he has to act.

At present, the widespread suspicion in the US that a terrorist bomb, possibly of Iranian or Middle Eastern origin, brought down the TWA Boeing 747 jetliner killing all 230 passengers and crew last week, leaves Mr Clinton with little choice but to sign the measure, even if he were inclined to veto it.

Under the Iran and Libya Sanctions Act of 1996, investments already in place would not be liable to sanctions. But the threat of action against further investment could discourage the activities of foreign companies.

The following events would trigger sanctions:

- For Iran, new investments in any 12-month period totalling more than \$40m which contribute to the enhancement of the country's ability to develop its oil and gas resources.
- For Libya, new investments in gas and oil development totalling more than \$40m in a year. Exports to Libya of goods or technology prohibited by US resolutions which would help Libya acquire weapons, contribute to the developments of oil and gas or boost Libya's aviation capabilities.

The president must consult with other governments before imposing sanctions on its companies or nationals.

This leaves room for compromise. The president can terminate the sanctions before the two-year sanction period if it determined that the sanctioned party is no longer engaging in the objectionable activity.

Cole Corzine & Associates, an international business law firm which has carefully studied the legislation, says the impact would be greatest on countries which export heavily in the US market or need to obtain US technology.

"The exposure of corporate affiliates to sanctions under the Act is somewhat limited as

a technical legal matter," the firm concluded in written summary. "Parents and subsidiaries of a sanctioned person would themselves be subject to sanctions only if they engaged, with actual knowledge, in the activities giving rise to the sanctions."

International oil companies are expected to look for loopholes that might allow them to maintain investment in the Libyan and Iranian industries at a level higher than that set by the US legislation, according to executives.

One way would be to funnel investment through subsidiaries which are far removed from the parent group. For this to work, however, deals would have to be carefully structured so that the parent company could not be shown to have been the source of the investment funds, says one oil company executive.

Some companies may also look at legal structures in which international oil companies act more as a contractor than a direct investor.

The success of such subterfuges may not be assured, however. One London-based oil explorer which has held recent

### SANCTIONS AGAINST IRAN AND LIBYA

The president must impose two or more of any of the following six options:

- Denial of credits from the US Export-Import Bank.
- Denial of export licences for controlled goods or technology.
- Prohibition on loans of more than \$10m from US financial institutions to any sanctioned person over any 12-month period.
- Financial institutions which are sanctioned cannot be designated as primary dealers in US government debt instruments to serve as a repository for US government funds.
- Prohibition against participation in any US government procurement project.
- Import restrictions.

talks with Iran said yesterday: "If it had been Iran alone then many companies would have said 'let the French go their own way'," said another London-based executive who oversees oil projects in Libya.

Only Total, the French oil company, has signed a deal with Iran. But the extensive and well-established European presence in Libya created common ground for companies from many countries.

Oil groups with big interests in Libya include Agip of Italy, Repsol of Spain, Austria's OMV, Belgium's Petrofina and Total of France.

Other companies, such as Lasmco of the UK, are currently exploring for reserves.

The exemption in the sanctions bill for existing projects means the legislation is unlikely to have any early impact on oil production. In addition continental European banks will probably continue to lend funds for existing Libyan developments, although Total has had to rely on its own funds to finance its offshore Sirri development in Iran.

Nor is the legislation likely to stop companies from talking to the Iranian and Libyan governments about new investments. But new contracts and the large sums of money to underwrite them may have to await the outcome of high level talks between the US and the EU.

"We'll continue to talk," said one executive yesterday, "but we'll be very wary of signing a deal until the dust is settled."

Meanwhile, the European-American Chamber of Commerce yesterday said there could be "disastrous consequences" as a result of the legislation and warned of a backlash of retaliatory measures which would hurt US companies.

## AMERICAN NEWS DIGEST

### Microsoft faces software suit

US software developer Caldera said yesterday it had filed an antitrust suit against Microsoft alleging "illegal conduct... calculated and intended to prevent and destroy competition in the computer software industry".

The suit, filed in courts in Salt Lake City, concerns the DR DOS operating system, developed in the late 1980s by Digital Research to rival Microsoft's MS-DOS system.

Digital Research was later acquired by Novell, while the DR DOS system was acquired by Caldera.

Mr Steve Susman of Susman Godfrey, a lawyer representing Caldera, alleged that Microsoft's "predatory practices" had prevented DR DOS from gaining market share during the last five years. He estimated the DOS market between 1991 and 1995 at \$20bn.

Reuters, Provo, Utah

### Colombian ex-senator jailed

An important figure in Colombia's worst drug corruption scandal inside Congress has been sentenced to more than four years in jail for receiving money from drug traffickers.

Former Senator Maria Izquierdo was sentenced late on Tuesday to four and a half years in prison and fined \$38,000 for illegal enrichment, an official of the National Tribunal in Bogota said.

She is the second suspect to be sentenced in an unprecedented investigation into drug corruption in Congress and the presidency. Mr Santiago Medina, the former treasurer of President Ernesto Samper's election campaign, was jailed earlier this month.

Mr Samper was charged with having solicited millions of dollars from the Cali drug cartel for his 1994 election campaign, although Congress later absolved him.

Ms Izquierdo's sentence was reduced by 23 months because she accepted the charges against her including the receipt of \$83,000 from the cartel, some of it for her own election campaign, the official said.

Reuters, Bogota

### Minister proposes Brazil sell-off

A senior Brazilian official yesterday proposed the "total privatisation" of state-run businesses as a way to reduce the country's production costs.

Mr Francisco Dornelles, industry, commerce and tourism minister, said privatising airports, sea ports, highways and railways would cut sky-high transportation costs that handicap Brazil's business sector.

He said the liberalisation of the Brazilian economy was "irreversible", adding: "No area should be off limits to private investment, either national or international."

AFP, Brasilia

### US, Peru renew drugs pact

Peru and the US have signed a treaty pledging to renew their joint commitment to fight drug trafficking in the region.

The agreement, signed on Tuesday night, seeks "to co-ordinate policies and carry out specific programmes," said a ministry statement. The treaty replaces an earlier one signed in May 1991.

US ambassador Alvin Adams assured Peru that Washington would not reduce its anti-drug aid because of the recent seizures of about 220lb of cocaine in Peruvian navy ships and more than 380lb in an air force plane, state news agency Andina reported.

The US is currently providing logistic support in the anti-drug efforts in the Peruvian jungle through its Operation Laser Strike and also finances programmes to replace coca crops.

Reuters, Lima



National Transportation Safety Board and FBI executives discuss charts of the TWA crash site

## Divers step up search of TWA jet wreckage

Investigators prepared for a huge diving operation yesterday to raise large amounts of wreckage and bodies from the ocean floor to help determine whether sabotage caused the crash of TWA Flight 800, Reuters reports from New York.

A week after the disaster, in which 230 people died, up to 120 divers prepared to explore parts of the fuselage, 18 miles offshore of New York. Officials said sonar had located a field of submerged debris, about half the size of Manhattan Island.

Divers were using powerful sonar to search the debris field. The voice and data recordings may be in the area, investigators said. The aircraft exploded last Wednesday night shortly after takeoff from New York bound for Paris. By early yesterday, only 1 or 2 per cent of the aircraft and fewer than half the victims had been recovered.

Mr James Kallstrom, FBI assistant director and the chief investigator of the crash, said his department had evidence pointing to sabotage. But "it is not conclusive".

President Bill Clinton said it was too early to be conclusive. "There [are] some traces of chemicals that have been identified. But based on the reports I have read, I cannot tell you the evidence establishes the cause of the accident."

Jurors who will decide whether three radical Moslems plotted to bomb US passenger jets, were being interviewed yesterday about whether the TWA explosion had influenced their judgment. US District Judge Kevin Duffy was questioning each panelist. Defence lawyers said they would wait to hear the jurors' responses before deciding whether to ask for a mistrial.

Three defendants are on trial in Manhattan federal court for their alleged scheme to destroy 12 US aircraft and kill 4,000 passengers over 48 hours last year. The trial moved into a crucial stage of testimony this week as speculation rose that sabotage caused the TWA disaster.

## Burundi coalition on brink of collapse

Civilian government in Burundi appeared on the verge of collapse yesterday as the beleaguered Hutu president took refuge in the US embassy in Bujumbura and other Hutu politicians went into hiding.

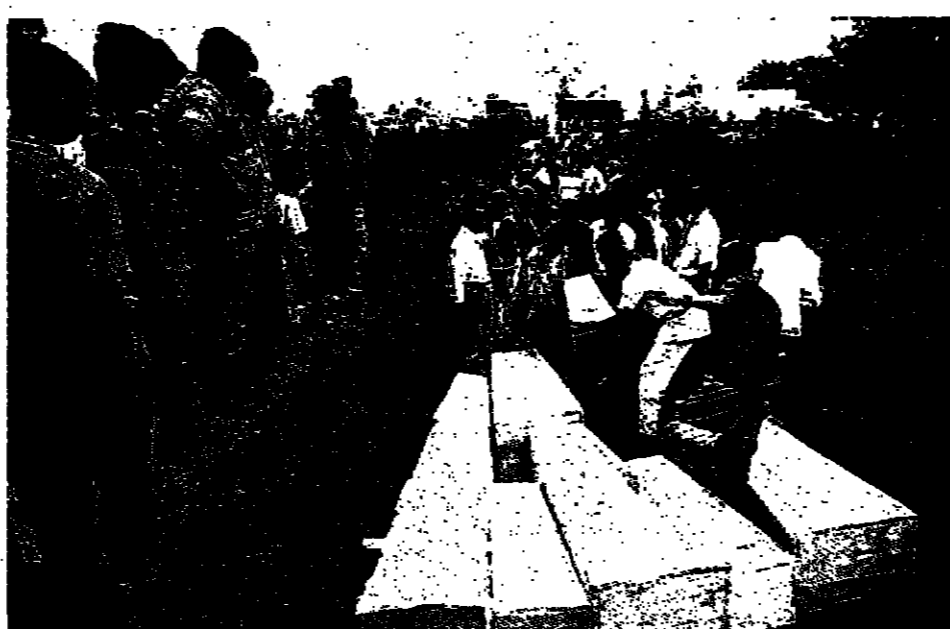
The news that President Sylvestre Ntibantunganya and his wife had fled to the embassy "for security reasons", coupled with reports that the army had replaced the usual guards at the national television station, prompted fears that the Tutsi-dominated military was staging a long-anticipated coup.

In New York, the UN Security Council said it was "gravely concerned" at developments and warned against any attempt to overthrow the legitimate government.

An army spokesman denied a coup was planned and insisted that Burundi's security forces remained loyal to Mr Ntibantunganya, who since 1994 has headed a fragile coalition guaranteeing power-sharing between the minority Tutsis and majority Hutus.

But the mainly Tutsi opposition party UPRONA, an uneasy partner in government with the Hutu-dominated PRODEBU group, threw down the gauntlet by announcing it was withdrawing support from Mr Ntibantunganya and seeking "other partners" to endow the country with new institutions.

The immediate motive for Mr Ntibantunganya's flight appears to have been the hostile reception he received in central Burundi yesterday at the funeral of more than 300 Tutsis, victims of what the army said was a



A mass grave for the 300 children and women victims of the Bugendana camp massacre

Anticipation of an imminent invasion by the Tanzanian, Ugandan and Ethiopian troops has fuelled hardline sentiments among an already paranoid Tutsi community. Tutsi defence units train daily in central Bujumbura and there is a strong sense of a community preparing for all-out war.

The army, working hand-in-hand with Rwandan forces, last week started forcing Rwandan Hutu refugees camped in the north to return home. Some 15,000 of these refugees, viewed by the military as natural allies of the rebels, were pushed into Rwanda, before the UNHCR prevailed on the army to halt operations.

## Israel calls on Syria to hold peace meeting

Israel's new government yesterday called on Syria to hold a meeting of foreign ministers to revive talks deadlocked over the fate of the Golan Heights.

"If the Syrian foreign minister is interested and peace is important to his country, I am ready to meet him in any place and at any time," Mr David Levy, the Israeli foreign minister said.

Mr Levy's appeal to Syria followed a series of high-level meetings between Israel and Arab peace partners - Egypt, Jordan and the Palestinians - which have taken place in the five weeks since Mr Benjamin Netanyahu formed the new government.

In addition, envoys from France and the US have this week visited the region to breathe life into peace moves thrown into doubt since Mr Netanyahu became prime minister.

US Middle East envoy Mr Dennis Ross met Syrian Foreign Minister Farouq al-Shara and Syrian President Hafez al-Assad yesterday and was scheduled to go on to Israel later in the day.

Syria is urging Washington to pressure Israel to agree a withdrawal from occupied lands. Just before Mr Ross arrived in Syria on Tuesday, state-run radio said talks would resume only if Mr Netanyahu dropped his opposition to the land-for-peace formula.

Mr Hervé de Charette, the French foreign minister, yesterday wound up a Middle East diplomatic tour in an effort to revive the stalled peace talks and prepare for a regional tour by President Jacques Chirac.

Mr de Charette met leaders in Syria, Lebanon, and Jordan, and held further talks in Israel and Egypt.

France has sought a wider role in Middle East peacemaking since President Chirac took office last year. Mr Chirac has expressed his fears of a resurgence of violence unless Israel

## Rains fail to ease Zimbabwe budget drought

With Zimbabwe's economy growing at 7 per cent this year after the best rains for a decade, the markets could be forgiven for expecting a giveaway budget from Mr Herbert Murewa, the finance minister, today.

In the event, Mr Murewa, has his back to the wall. Not only has the International Monetary Fund walked away from Zimbabwe pending measures to curb the budget deficit of almost 15 per cent of GDP in 1994/95, but World Bank lending and other donor assistance is also in the balance.

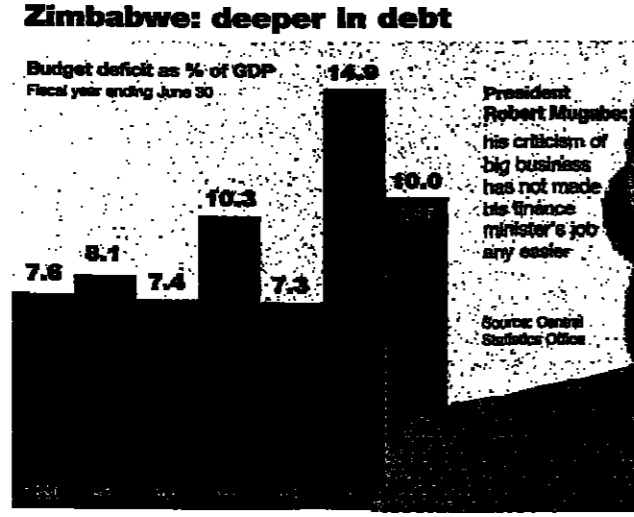
To make matters worse, there is sense of siege in the private sector, where foreign investment, in particular, is at risk in the wake of outspoken, bitter criticism of foreign and white-owned businesses. Business hopes the finance minister will use his budget speech to take a strong public stand against some of these attacks which reached a new low last week when the Affirmative Action Group - a black "empowerment" lobby - threatened Mr Barry Hamilton, the incoming chief executive of Standard Chartered Bank, Zimbabwe. AAG spokesman, Mr

Philip Chiyangwa, said his organisation would make Mr Hamilton's stay in Zimbabwe "a nightmare". Mr Hamilton is British. "Let him land here and we will give him the shock of his life," he added.

However, Mr Murewa would appear to have little encouragement to reassure an increasingly demoralised business community, since President Robert Mugabe himself cast the first stone at the private sector when he criticised Lonrho and Anglo American for their failure to appoint black chief executives. Mr Mugabe also described industrialists as "crooks".

Mr Murewa is also being confronted by criticism of his own track record. As minister of industry and commerce until May, he shares the blame for the tariff restructuring debacle under which a new import tariff system was introduced at the beginning of July and suspended three days later after criticism from business. Industrialists say the new tariff, designed to eliminate anomalies, creates almost as many new problems as it was supposed to solve.

Industry is also hoping for details of progress in the long-running negotiations with Pre-



President Robert Mugabe has criticised big business but has not made the finance minister's job any easier

ARTS GUIDE

Various small advertisements and notices are visible at the bottom of the page, including one for 'ARTS GUIDE' and another for 'JAVICA 1990'.

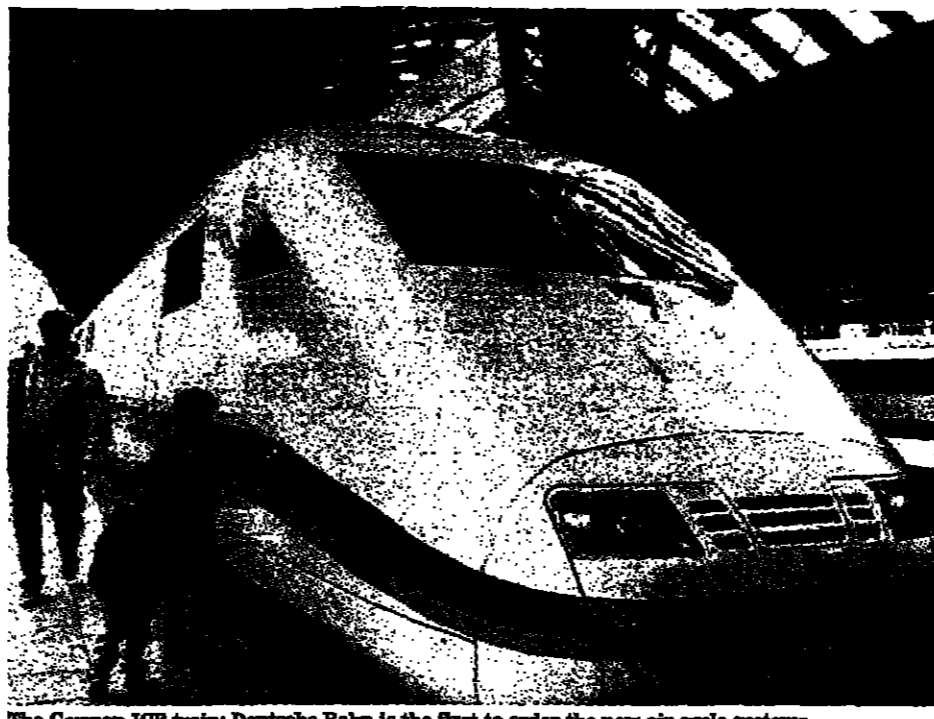
British company sells low-pollution air-conditioning to German railways

Big hopes for novel train ventilation

By Peter Marsh

A British company has announced a breakthrough in air-conditioning systems for trains which could lead to annual sales of "tens of millions of dollars" over the next few years.

originally devised for air-conditioning equipment in aircraft, will be fitted to Germany's new generation of ICE 2.2 high-speed trains to enter service in 1998.



The German ICE train: Deutsche Bahn is the first to order the new air cycle systems

The German ICE train: Deutsche Bahn is the first to order the new air cycle systems. The systems are designed for electric trains though could also be applied to diesel locomotives fitted with special generators.

require more electricity than conventional chemical-based equipment, Normalair-Garrett says that lower maintenance costs mean overall running expenses of the new hardware are 15 per cent lower than for older types of air-conditioning.

engines. In a train, there is no such source of air, which is why Normalair-Garrett had to provide one through the high-power compressor based on a novel, high-speed switched-reluctance drive motor.

Poorer nations plan attack on textile barriers

By Frances Williams in Geneva

Third World exporters of textiles and clothing plan a wholesale attack on the tardy progress of trade liberalisation in the sector when their grievances are discussed today in the World Trade Organisation.

attribute origin to the country where the clothes are assembled. Hong Kong can no longer send out fabric over the border to be made up in China and then exported as "made in Hong Kong".

South America car hopes 'too high'

By John Griffiths

Carmakers rushing to install manufacturing capacity in South America are being over-optimistic about the region's growth prospects, with annual sales likely to fall well below the 5m-10m predicted for the end of the decade.

Commission urges trade areas review

By Guy de Joux in Brussels

The European Commission plans to call on the World Trade Organisation to tighten its rules on regional trade agreements, to ensure that they comply fully with multilateral principles and do not discriminate against non-members.

particularly worried that the free trade area planned by the Association of South East Asian Nations, which aims to remove tariffs on trade between ASEAN's members by early next century, will leave intact barriers to exports from third countries.

increase duty levels sharply on exports from other countries. Sir Leon's plan, which still faces resistance from some fellow commissioners, has two prongs. The first would require the WTO to vet a backlog of about 90 outstanding regional free trade agreements, some notified many years ago.

regional trade agreements meet world trade rules. The provisions are notoriously vague and have been widely criticised as impossible to enforce effectively.

that the plan, which they hope to submit before the WTO's ministerial conference in December, would expose many of the EU's free trade agreements to closer international scrutiny.

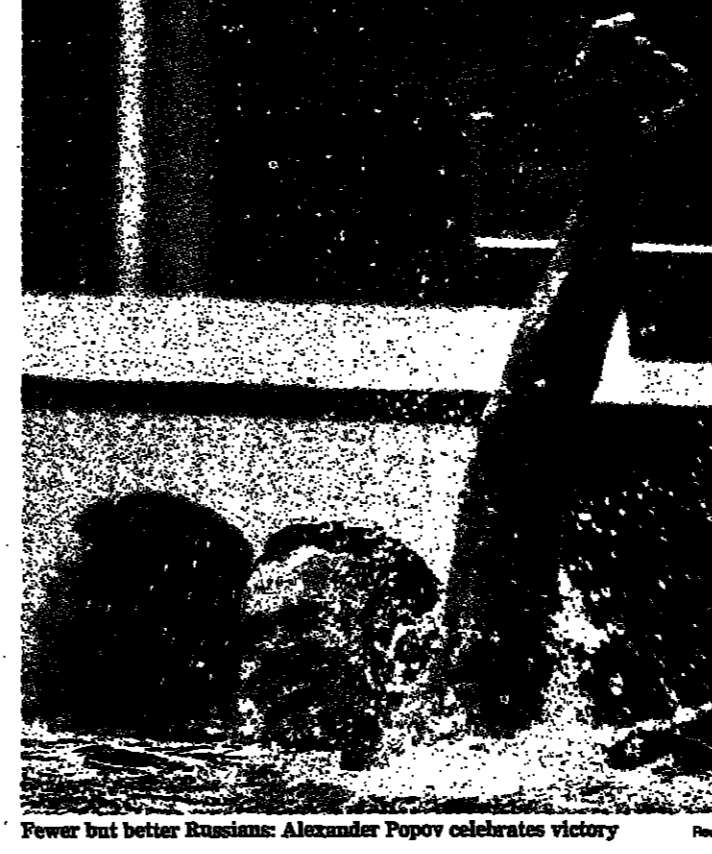
Atlanta Olympics introduce the new Russia



Despite the performance of the Russian team, which was last night tied in first place with nine gold medals, back in the homeland many sports fans are watching the games with a gloomy air and a nostalgia for the otherwise unimpeachable USSR.

the words. So to celebrate their victories, fans can do no more than hum along. Russians sometimes express their rage at this fall from grace by mocking the newly independent former Soviet satellite states, for whom the end of the Soviet Union was a liberation, not a loss.

It's simply that they are so full of themselves that they don't even notice their rivals. Irvestia quoted Mr Vladimir Lukin, a former Russian ambassador to the US and now the chairman of the parliamentary commission on foreign affairs, accusing the Americans of "national egoism".



Fewer but better Russians: Alexander Popov celebrates victory

ATLANTA DIGEST Collinelli breaks record twice

Andrea Collinelli of Italy set two world records in men's individual pursuit cycling yesterday at the Olympic track in Stone Mountain Park. Collinelli first clocked 4:19.899 over the 4km distance, breaking the old record of 4:20.894 set by Graeme Obree of Britain, and later in the day clocked 4:19.153. Obree himself crashed out of the individual pursuit in the first round. The 30-year-old Scot, who has been suffering from a virus, was beaten by Australian Bradley McGee.

Italians go out of football Ghana defeated soccer aristocrats Italy 3-2, eliminating the Italians from the Olympic tournament in a hot-tempered, foul-filled game. The result keeps Ghana in contention for a quarter-final berth. It also caused more misery for Italy, which went into near-mourning when its national team failed to advance past the first round of the European championship last month.

Libyans find a welcome Libya's tiny Olympic delegation say they are being treated well at the Atlanta Games, despite being blacklisted and branded a "terrorist" country by the US. "The United States is not exactly the right friend for Libya at this time. But nobody has said anything bad to us and people are not afraid of us. The Americans are friendly people," said Mr El Mehdi Abu-Kheir, Libyan national Olympic committee general-secretary and head of a team of five athletes.

Table with 2 columns: Event, Winner, Time/Score. Includes Equestrian, Shooting, and Cycling results.

Other teams have more modest dreams

Caryl Phillips talks to Angola's Herlander Coimbra, up against the US basketballers again

There is little entertainment in watching a group of American multi-millionaires humiliate young men from Africa. At the US by only half the margin of 1992, 97-54 instead of 116-48, but an unlucky loss to China means they need to win all their games against Croatia, Lithuania and Argentina to have even a chance of a medal.

I wondered if Coimbra would be seeking any revenge? He seemed embarrassed at the suggestion: "Four years ago I was a kid. Now I am a man, but I do not have the muscles to fight." I asked him what he expected out of his basketball career. He did not have to think for long. "A house, a car and maybe if I am lucky, a wife."

these do well to make more than the salary of a school teacher. Coimbra is not one of them. I visited the spectacular Georgia Dome to watch Angola play the Dream Team. There is not much to be said about the game. Charles Barkley managed not to hit Coimbra, and Angola lost.

As Coimbra left the court, I asked him what the Angolans had learned from this experience of playing in front of such a huge audience? Dejected, he shrugged his shoulders and began to walk away from me. More to the point, I thought, what had the Americans learnt? Probably nothing. Winning was never an issue. And, clearly, neither was sportsmanship. Nothing less than total domination would suffice, and the crowd's braying and hooting served only to spur the team on.

Men's singles first round: J Stoltenberg (Australia) bt S Ladipo (Nigeria) 7-6 (7-4), 6-3; N Pereira (Venezuela) bt H Gumy (Argentina) 6-4, 6-0; Renzo Furlan (Italy) beat Jiri Novak (Czech Republic) 4-6 6-4 6-3; Thomas Enqvist (Sweden) beat Marc-Kevin Goellner (Germany) 7-6 (7-4) 4-6 6-4; Marcelo Filippine (Uruguay) beat Luis Morejon (Ecuador) 6-7 (3-7) 7-5 6-1.

Selected events today Fencing: Women and men's team foil finals. Judo: Women's and men's half-lightweight finals. Swimming: Women's 200m back final, women's 800m free final, men's 50m free final, men's 200m medley final, women's 4x200m free final.

Advertisement for IBM, featuring the Olympic rings logo and the text 'Worldwide Information Technology Sponsor' and 'www.atlanta.olympic.org'.

Microsoft faces software suit

Amstman senator jailed

Amstman proposes Brazil sale

US, Peru renew drugs pact

Israel calls Syria to hold peace meeting

NEWS: UK

Government stamp duty reform signals end to privileges for marketmakers  
Stock Exchange set for overhaul

By John Gapper, Banking Editor

The government yesterday offered relief from stamp duty to all broking firms trading on UK stock exchanges, clearing the way for the abolition of special privileges and obligations for the marketmakers of the London Stock Exchange.

Aggressive methods used to take over the management of listed investment funds may be curbed by the rules on how managers are appointed, Roger Taylor writes. The move follows a number of contentious takeover battles for investment funds, such as the fight for control of the GT Chile Growth fund, which ended with the break-up of the fund earlier this year.

Attention is likely to focus on whether shareholders in a fund should be allowed to vote in favour of resolutions awarding themselves the contract to manage the fund. A practice among more aggressive investment management companies is to buy a large stake in a listed fund and put a motion to shareholders calling for them to be appointed investment managers. By using its shareholding to support the

of the proposed tax reform. This would provide a "demonstrably level playing field" for all of its members. In addition to the proposed tax reform, the exchange agreed with the SIB to take further steps to improve transparency of pricing. Trades bigger than six times the normal size should be disclosed immediately, rather than after an hour.

Ban on sheep products confirmed

By George Parker, Political Correspondent

Mr Douglas Hogg, the agriculture minister, yesterday confirmed plans to ban the sale of sheep and goat brains as part of an EU-wide initiative to ensure that BSE - or mad cow disease - is not transmitted to humans by other animals. Mr Hogg told the Commons the measure would not have a significant economic impact because 99 per cent of brains were already destroyed, but some Tory MPs said his announcement would provoke alarm among consumers.

Consumer spending rise best since 1988

By Gillian Tett and Christopher Brown-Humes

Shops outside the UK's food sector are now seeing the fastest increase in sales for eight years, official figures showed yesterday. Consumer spending in non-food stores was 2.4 per cent higher between April and June than in the previous three months - the sharpest rise since 1988.



Former soccer star Trevor Brooking (left) and athlete Judy Simpson joined the prime minister, John Major, yesterday as he unveiled plans for a British Academy of Sport to be funded by £100m (£156m) from the National Lottery. Mr Major said it would help develop a new generation of British champions.

World Service wins fresh review

By Bruce Clark, Diplomatic Correspondent

Campaigners against a plan to reorganise the BBC World Service yesterday after the BBC agreed to a proposal by the Foreign Office for a joint study of the proposed reforms. The study, which will seek the views of independent experts and report its findings by October, was announced after a meeting between Mr Malcolm Rifkind, the UK foreign secretary, and Sir Christopher Bland, the BBC chairman.

Mr Hogg said he was consulting on the new measures and said action at an EU level was preferable. Mr Hogg said government advisers had informed him of the "theoretical risk" that BSE could be passed from cattle to sheep. On Monday EU farm commissioner Mr Franz Fischler called on all member states to take action to prevent sheep's brains, spinal cord and spleen entering the food chain.

Increased flexibility boosts tractor output

New working methods have contributed to an erosion in Germany's production lead

The busy shop floor at Massey Ferguson, part of Agco of the US, helps to explain why the UK is poised this year to become Europe's biggest volume producer of agricultural tractors. The factory on the outskirts of the Midlands city of Coventry turns out about 100 tractors a day, most of them with different specifications, in a prime example of large-scale, "customised" manufacturing.

Agricultural tractor production (1,000 units)				
	UK	Italy	Germany	Europe
1988	64.0	82.0	71.7	276.3
1989	65.4	80.0	70.0	265.4
1990	65.4	72.6	85.2	263.2
1991	64.9	68.3	81.8	255.0
1992	69.0	61.3	82.9	193.3
1993	69.0	55.3	78.0	192.3
1994	82.7	62.0	47.5	201.5

Source: Off-Highway Research, London

In 1995, according to industry estimates, the UK will make 69,000 complete tractors in addition to 11,000 in "knock-down" kits. These are packages of tractor parts for later assembly, normally outside the UK and sometimes with the addition of some locally produced components. Of the total, worth £1.5bn (£2.34bn) at customer prices, about 15 per cent will be exported.

largely UK-owned components companies. Part of the reason for Britain's leading role in tractors, according to Mr Chris Barrow-Williams of Off-Highway Research, is "strong management at the main UK-based tractor companies which have defended their position very well". Another factor is a long run of fairly high demand from UK farmers who have been among the leaders in Europe in mechanisation.

New Holland factory has been divided into three free-standing units to break down hierarchies and get people used to working in relatively small organisations. According to Mr Martyn Vaughan, the Basildon plant manager, such detailed work changes have been a crucial factor in Basildon's productivity record.

Peter Marsh

Radical reform to leasing proposed

By Jim Kelly, Accountancy Correspondent

Companies which lease large assets could have their balance sheets transformed by a radical reform floated yesterday by the Accounting Standards Board. The proposed changes could also damage the UK leasing industry. The reforms would increase the gearing of companies which lease assets such as aircraft, computers, property and cars because they would have to show in their balance sheets how much they cost to hire.

A behind-the-scenes tussle between Mr Michael Heseltine, the deputy prime minister, and the Department of Trade and Industry has led to the last-minute postponement of a government announcement on the reform of the partnership laws. The DTI planned to announce this week that it was committed to the long-term reform of the law in an attempt to dissuade the big accountancy firms from regis-

tering offshore to protect the personal wealth of partners from lawsuits. But it is understood that Mr Heseltine thinks reforms, which would not come on stream until possibly 1998, would be too late to stop the firms registering in Jersey and that as a result the reputation of the City of London would suffer. He wants the DTI to look again at "quick fix" solutions which could be implemented by December.

UK NEWS DIGEST

Lottery bribe row simmers on

Mr Richard Branson, the chairman of Virgin Group, yesterday dismissed as "worthless" and "toothless" a report clearing a member of the Camelot National Lottery consortium of trying to bribe him. Ofot, the lottery regulator, published the report by Miss Anne Rafferty QC, a senior criminal barrister, who said her inquiry was "not able to find as a fact that there was any attempt to bribe Mr Branson on September 24 1995".

DEFENCE

Spending delay attacked

Pressure on the government over defence spending increased yesterday as the all-party Commons defence committee said it would not support spending plans until a firm budget for the Ministry of Defence had been agreed. Service chiefs also expressed concern that the delays to 24bn (£8.24bn) of defence orders, which were due to have been announced before parliament rose last night, indicate the Treasury intended to cut the MOD budget substantially in the current spending round.

NORTHERN IRELAND

Police controls reviewed

The British government made an attempt last night to pre-empt violence at next year's marching season in Northern Ireland by announcing a review of the use of plastic bullets and the policing of parades. The move coincided with the disclosure that a number of men, suspected to be loyalist paramilitaries, were being held in apparent connection with the murder of a Roman Catholic taxi driver near Belfast two weeks ago.

INDUSTRIAL DISPUTE

ACL returns to Mersey Docks

American Container Line, the largest container group customer using the port at Liverpool, in England's north-west, is returning its business in spite of the continuing industrial dispute, Mersey Docks and Harbour Company announced. Less than a month ago ACL intended to switch its main UK port of call from Liverpool to Thamesport in the south-east. ACL's move is seen more as a reaction to the effect of the dispute on the company's American east-coast activities than on what is happening in Liverpool. The International Longshoremen's Association, the US maritime union, has been applying pressure on ACL in solidarity with the Liverpool dockers who have been in dispute with the management since last September. As a result, Mersey Docks has taken out a civil action in the US courts against the union and its president.

Last month Mersey Docks withdrew its "final" £2m (£13.65m) offer to the 338 sacked dockers in retaliation for ACL's decision to pull out of Liverpool.

REGULATION

Utility controls questioned

The whole system of utility regulation in the UK is called into question by a long-awaited report from the National Audit Office published yesterday. The public spending watchdog questioned whether the regulators were striking the right balance between the interests of customers and the companies. It also asked whether the regulators carried out their work too secretively. Many of the NAO's concerns mirror those of the opposition Labour party, which will shortly publish a policy document on utility regulation.

PRIVATISATION

AEA Technology to be floated

The government has announced it will float AEA Technology, the science and technology services company later this year, possibly as early as September. The flotation could well be the last on the government's privatisation menu before a general election now expected early next year. Sir Anthony Clower, the chairman of AEA Technology, declined to give an estimate of the company's worth, although some reports have valued the company at £200m (£312m). The company's un audited results for 1995-96 show turnover of £263m, roughly the same as the previous year, and profits of £19.8m, up from £7.4m. The government has appointed Caszenove as brokers and Schroder as advisers. Lazarus is advising AEA Technology.

TUBE STRIKE

Disruption could cost £330m

The wave of strikes by London Underground train drivers could cost Britain up to £300m (£814.8m) in lost output if they continue as planned into September, according to Chantrey Vellacott, the chartered accountant. The strikes continue today with a 24-hour stoppage. Chantrey Vellacott estimates that every 24-hour stoppage on the capital's tube network incurs a net cost of £30m.

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COMPANIES AND FINANCE: THE AMERICAS/ASIA-PACIFIC

ITT calls off planned \$565m share issue

By Richard Waters in New York

The recent weakness in US share prices yesterday prompted ITT, owner of such landmarks as Caesar's Palace in Las Vegas and Madison Square Garden in New York, to call off a planned share issue through which it had hoped to raise \$565m.

share sale nearly a month ago. The company's decision follows the postponement in recent days of several high-profile, though far smaller, initial public offerings, such as that for Wired, the Internet magazine publisher.

ITT, a hotels, casinos and entertainment company, already has a stock market listing, being one of three companies to emerge after the break-up of the conglomerate of the same name last December.

Late on Tuesday, Trans World Airlines abandoned plans to issue 7m new shares, a decision it said was intended to give the airline's managers more time to deal with the aftermath of the crash of Flight 800. TWA's shares had fallen to \$9 1/2 by yesterday lunchtime, nearly 30 per cent below where they were before last week's crash.

"Large, quality companies will probably still be able to raise money," Mr Shulman said. "But they'll have to accept a lower price." That is a penalty that ITT said yesterday it was unwilling to suffer. The company had wanted to increase its financial flexibility to support future expansion, but "the cost of that flexibility is now too high", said Ms Ann Reese, chief financial officer.

Loan growth behind Metrobank advance

By Edward Luce in Manila

Steep loan growth boosted net profits by 50 per cent to 2.03bn pesos (US\$77m) at Metrobank (Bank of the Philippines) largest bank, in the first six months of 1996.

NEWS DIGEST

Unisys tumbles into the red

Unisys, the US maker of mainframe computers which is undergoing a restructuring, yesterday reported second-quarter losses of 14 cents a share and warned that delays in the introduction of new models could depress full-year results.

USAir posts operating record

USAir continued the healthy run of US airline results yesterday by announcing net second quarter income of \$200.2m, compared with \$112.9m last time. The airline, in which British Airways has a 24.6 per cent stake, said operating revenues of \$2.15bn, up from \$1.95bn in the same period last year, were the highest recorded in any quarter.

Phillips doubles income

A three-fold surge in operating profits from motor fuel and a 28 per cent rise in US natural gas prices pushed net income at Phillips Petroleum 96 per cent higher to \$221m in the second quarter. Earnings per share doubled to 84 cents, the company said yesterday.

Cyprus Amax slides

A sharp decline in molybdenum profits and last month's drop in copper prices trimmed Cyprus Amax Minerals' second-quarter income to \$53m, or 52 cents per fully diluted share, down 61 per cent from \$134m, or \$1.31, in last year's second quarter. Sales for the quarter were \$740m, compared with \$975m last year.

Setback for Placer Pacific

Placer Pacific, the Australian-based goldminer which is controlled by Canada's Placer Dome, yesterday reported an after-tax profit of A\$18.5m (A\$16.3m) in the six months to end-June, down from A\$23.3m in the same period a year ago.

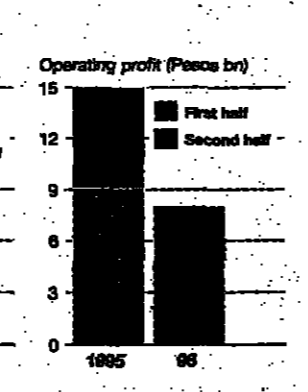
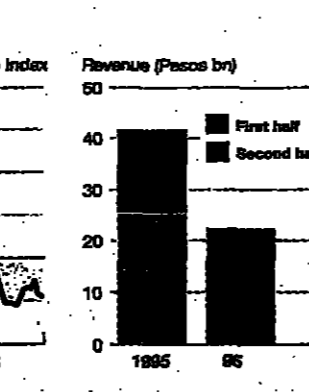
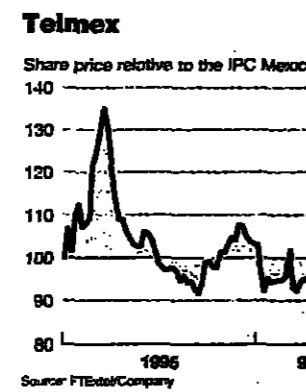
Moore advances 6%

Proceeds from the sale of an investment helped Moore Corporation, the Toronto-based provider of information handling services, lift second-quarter earnings by 9 per cent, in spite of a 6 per cent drop in sales. Net earnings edged up to US\$86.5m, or 36 cents a share, from \$83.5m, or 34 cents, a year earlier.

Telmex profits drop 15.7% to 4.09bn pesos

By Daniel Dombay in Mexico City

High depreciation costs and falling tariffs in real terms held back second-quarter profits at Telefonos de Mexico (Telmex), Mexico's dominant telecommunications company which is soon to lose its monopoly in long-distance services.



Operating profits were 4.09bn pesos (\$538m) for the quarter, down 15.7 per cent primarily because of heavy depreciation costs. Net profits, which are largely discounted because of the effects of inflation accounting, fell 45 per cent compared with the same period a year ago, to 3.29bn pesos.

Second-quarter sales were 11.4bn pesos, a 5 per cent decline on the comparable period. Inflation meant that the company was unable to translate volume increases of about 10 per cent for the more profitable long-distance calls into higher revenue.

Adolfo Cerezo, the company's chief financial officer, said: "We've made great progress... getting ready for competition." Analysts said that while the start of competition leaves Telmex unable to restore tariffs to the levels before the 1994 devaluation of the peso, declining inflation in the future should ease the pressure.

Conoco helps Du Pont advance 7% in second term

By Tony Jackson in New York

Strong results from the Conoco oil subsidiary sent Du Pont's second-quarter earnings up 7 per cent to \$1.01bn, a record for a quarter. The company said it expected a further improvement in the second half.

In the narrowly defined chemicals sector, earnings were down 3 per cent at \$165m, mainly because of lower results from the white pigment titanium dioxide. Chemicals volume was 5 per cent higher, but prices were down 6 per cent.

In fibres, earnings rose 2 per cent to \$206m, with Lycra earnings up and nylon earnings down. Sales prices were 1 per cent lower and volume was flat. In the polymers sector, earnings were up 7 per cent at \$244m, with rises in fluoropolymers and polymers for the car and packaging industries.

Conoco's earnings were 15 per cent higher at \$218m, with upstream earnings 41 per cent up due to higher prices worldwide and higher volume outside the US. Downstream earnings were 34 per cent lower. Total group sales were 7 per cent higher at \$11.1bn, and earnings per share were up 5 per cent at \$1.84 before non-recurring items.

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Kimberly-Clark survives price war with earnings up 19%

By Tony Jackson

Kimberly-Clark, the tissue manufacturer, emerged from its price war with Procter & Gamble with earnings 19 per cent higher at \$365m in the second quarter. Adjusted for non-operating items such as asset sales, earnings per share rose 15 per cent to \$1.14.

company said sales trends were now improving, and claimed to have gained market share in toilet tissue and paper towels during the quarter. Offsetting the fall in tissues, sales of other personal care products were up 8 per cent by volume worldwide. Total group operating profit was 12 per cent higher at \$485m, helped by lower pulp prices. Sales were 5 per cent higher at \$3.35bn adjusted for disposals.

Mr Wayne Sanders, chairman, said the merger with Scott Paper was making excellent progress, and would realise savings of at least \$250m this year and \$500m by 1998. Partly as a result, cash flow would be \$200m to \$300m higher than expected in the second half of the year.

Kimberly's share of net earnings in equity companies was down 22 per cent at \$38m. This included an accounting charge for the fall in asset values in Mexico due to the weakness of the peso, compared with a gain the previous year. Excluding that, the share of earnings was down 4 per cent as a result of the depressed state of the Mexican economy.

Income was helped by a pre-tax gain of \$70m on the disposal of the Scott face tissue and baby wipes business, as required by the US competition authorities, and by the sale of Kimberly's remaining interest in Midwest Express Airlines. Kimberly's shares fell 8 1/2 to \$75 1/2 in early trading.

A radical reformer to the last

Outgoing head of the Philippine Stock Exchange won over critics

When Mr Eduardo de los Angeles became president of the Philippine Stock Exchange in September 1993, he was greeted with a flood of hostile letters. Brokers opposed to Mr de los Angeles' sweeping modernisation plans took to penning him abusive notes which he dubbed "love letters".

Suspensions that brokers trade the best shares on their own account is not confined to the ADB. "Brokers are a self-interested breed so it's not healthy that they should access to the bulk of new shares," one foreign broker says.

As long as the board of the PSE is dominated by brokers, however, few can trust it to become self-regulatory. Having presided over quicker development than any of his predecessors - including the doubling of the market's capitalisation to about 2,000bn pesos and the rise in the cost of a seat on the PSE from 5m to 8m pesos - Mr de los Angeles recognises the need for urgency if the PSE is to remain competitive.

Professional brokers' training course, modelled on New York's Series 7 exam, the unification of Manila's two exchanges and the introduction of software to spot irregular share price movements. These have already been implemented or are well in hand.



De los Angeles: successor will have to fight to complete reforms

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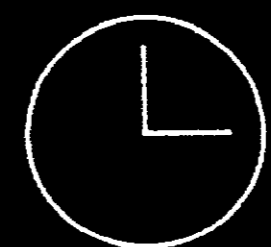
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## Chips' shining light

Researchers in the US have shown that a technology called extreme ultraviolet light (EUV) lithography may illuminate the path to the next generation of semiconductor chips.

Chips manufactured with the technology are likely to be 10 times faster than today's chips, and able to store 1,000 times more information, researchers say.

Violet light has a short wavelength of 0.4 microns (a micron is a millionth of a meter), which means it can be focused to narrower strips than can longer wavelength light. The use of EUV light, therefore, allows the focusing of extremely narrow strips of light which "paint" the pathways for electrons on semiconductor materials.

Narrower strips of light equal smaller pathways. Smaller pathways equal smaller semiconductor architectures. Smaller architectures equal faster chips and more memory in the same chip area.

"We've built the bridges to show that the use of EUV lithography is feasible, and may be commercialised early in the next century," says Don Kanis, deputy leader of the advanced microtechnology programme at the Lawrence Livermore National Laboratory near San Francisco.

"We have identified and addressed two technical challenges that were potential showstoppers for EUV," says Andrew Hawryluk, a Lawrence Livermore project researcher.

In the first advance, a new "ion beam sputter deposition system" results in a 300,000-fold reduction, compared with current methods, in the number of defects produced within a semiconductor layer as it is deposited on the silicon chip surface. However, that defect rate must be driven lower still.

The second advance is a better tool for measuring the accuracy of optical surfaces. This makes it possible to build the optical systems necessary for EUV lithography.

Tom Mead

Launch site weather was fine, spirits were high and observers at the European Space Agency's Paris headquarters had settled in to watch a close-circuit version of what they assumed would be the triumphant maiden voyage of Ariane 5 - the culmination of 20 years of European aerospace technology neatly packaged into the showpiece 740-tonne rocket.

Yet on the morning of June 4, 37 seconds after engine ignition at ESA's French Guiana launch control centre, something went terribly wrong. According to Jean-Marie Luton, the agency's director general: "I could only see this ball of fire."

Luton was speaking after Tuesday's Paris press conference announcing an independent board of inquiry's findings on the accident. With its two solid propellant boosters and cryogenic mainstage, Ariane 501 was set to bring the ESA's launch capacity in line with NASA's powerful Saturn 5 series. But at 3,700 metres altitude, the launcher suffered a total breakdown of both its primary and back-up inertial reference systems (or navigational guidance mechanisms).

As a result, the launcher tilted to such an extent that the whole structure broke apart, activating an onboard detonation scenario. Also destroyed was a 4.8-tonne science payload, ESA's \$500m (€380m) Cluster mission, consisting of four long-range earth satellites that would have been part of an international effort to study the sun's interaction at the edge of the earth's magnetic field.

Ten days after the accident, Luton and CNES (French Space Agency) chairman Alain Bensoussan set up a nine-member independent board of inquiry to carry out an investigation.

Their findings state: "It is evident that the limitations of the Inertial Reference System (IRS) software were not fully analysed in the reviews, and it was not realised that the test coverage was inadequate to expose such limitations."

SRI calculates the angles of velocities for the rocket's flight path with the help of its onboard software. When that software fails, the inertial reference system has nothing to calculate. The back-up inertial system failed for the same reason. "SRI is like the autopilot on an aircraft," says Lennart Lubeck, vice-chairman of the board of inquiry and a member of the Swedish Space Corporation.

"It senses the motion of the launcher and puts the launcher in the right trajectory and finally the right orbit. It was trying to correct for an attitude deviation that didn't exist. First you go blind in one eye and then in the other. Then it just went haywire," he adds.

Inadequate testing led to the software breakdown that doomed Ariane 5, writes Bruce Dorminey

## Flying blind



Ariane's navigational guidance mechanism broke down soon after launch

The inertial system deflected the nozzles of the booster rockets to angles of more than 20 degrees, causing the whole launcher to veer badly off course. In theory, if the onboard software fed the inertial systems the correct data, even if the first inertial system failed, the back-up would take over. But that is an impossibility when the software on which it depends has failed

from the beginning. Ariane 5's flight trajectory takes an earlier and higher horizontal velocity, five times that of Ariane 4, which the software was supposed to accommodate. It did not. An internal variable related to the horizontal velocity exceeded a limit inherent in the SRI software, so it responded in the way that any software does when not functioning

properly - it registered an error. "Any airplane has an inertial platform system," says inquiry member Wolfgang Kubak, professor of aeronautics at Germany's Technical University of Darmstadt.

"Before take-off the aircraft is aligned and then switched to navigation. As a specific feature of the Ariane 5 it was necessary to maintain the alignment function after one has switched over to navigation so they ran two parallel processes. After lift-off this alignment function is not needed, but since Ariane 5 accelerates much faster and starts turning into its trajectory earlier than Ariane 4, it overran its maximum value. It was a design problem they overlooked."

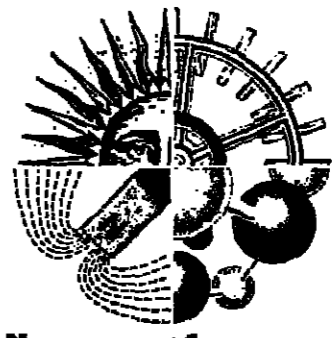
Why didn't preliminary testing discover such flaws? The answer is that to test the software in a so-called "black-box" environment, where the software would behave as in a real flight, would require a real flight. The only other alternative is to simulate acceleration signals and angular movements under normal flight parameters. That hasn't happened, in part, because the SRI was not specified with the Ariane 5's planned flight trajectory in mind.

Apart from public relations representatives, executives from Sextant, which made the SRI, Matra Marconi Space, which made the software that runs the SRI and related guidance systems, and Aerospatiale, which was the industrial architect of the project, were all absent from the press conference. "I can identify seven chains of events which all contributed to the failure and at each there were teams of people making decisions," Lubeck said in their defence. "But it was inadequate foresight and an omission of logic. To fix the problem that caused the failure can be done in a matter of weeks. To make sure there are no other omissions takes months."

The best insurance in preventing a replay is in implementing the investigative committee's 14 recommendations for the Ariane 5 programme. They include individual testing for each piece of onboard software, better realistic simulations, an external team to evaluate and quality software and, finally, communication of a more "transparent" nature, including clearer authority and responsibility among the design teams.

Of the 14 recommendations, Luton believes the most difficult to implement will be the last, for communication in such multi-faceted endeavours is an inherent Achilles' heel. But after an estimated additional \$80m (on top of Ariane 5's \$8bn development tab) for solving the glitches and Ariane 5's Spring 97 re-launch, the director general is counting on a resurgence in both ESA's credibility and access to space.

Worth Watching · Vanessa Houlder



### New pros of anti-matter

Most people think of anti-matter in terms of the fuel for intergalactic travel in science fiction. But anti-matter has more down-to-earth applications, most notably in the PET scanners that map brain activity.

AEA Technology, the state-owned science and services business that is due to be privatised, has harnessed anti-matter in a portable detector that provides an early warning of faults in metallic components.

The device measures the radiation given off when positrons - positively charged anti-electrons - are annihilated by coming in contact with electrons.

The spectrum of the radiation differs slightly if the annihilation occurs near faults in the lattice of the metal. That provides a clue about the early stages of damage to the metal, which the device, known as Positron Annihilation Lineshape Analysis, analyses and displays on a PC screen.

AEA Technology: UK, tel (0)1235 464080; fax (0)1235 463798.

### Setting a trap for cockroaches

The techniques used by the carnivorous pitcher plant to lure and trap insects have been adapted in the design of an environmentally friendly cockroach trap.

Cockroaches are enticed into the trap by an alluring scent. Once inside, they find themselves walking on a sloping surface coated with a slippery electrostatically charged powder. As they lose their grip, they slip on to a sticky surface below, where they are trapped.

The trap was designed by a biologist at the University of Southampton, which has licensed the design to Jeunike International, a company based in

Los Angeles. The company expects to launch the traps in the autumn in California, where cockroach infestations are a common problem.

University of Southampton: UK, tel (0)1703 532114; fax (0)1703 533325.

### Better look at DNA

Researchers will be able to visualise how certain drugs bind to individual DNA molecules, using a technique developed by the Georgia Institute of Technology in Atlanta.

The approach is particularly relevant to the design of anti-cancer and anti-viral drugs that work by altering DNA at the molecular level.

The technique produces images of DNA fragments - before and after the drug has bound - using a scanning force microscope, which detects forces acting on the tip of a tiny probe that moves across a surface.

The Georgia Tech scientists believe their technique is better than existing techniques because it is faster and the results are relatively simple to interpret.

Georgia Institute of Technology: US, tel 4048943444; fax 4048946363.

### Tactile forceps in operating theatre

Minimally invasive surgery has offered huge benefits to patients who suffer from less pain, less scarring and a shorter stay in hospital than they do with conventional "open" surgery.

But the technique, which involves using long rigid instruments through small "keyhole" incisions, has the disadvantage that surgeons cannot "feel" the resistance of the internal organs and surrounding tissue with their hands.

This problem has been tackled by scientists at Daimler-Benz, the University of Tübingen and Dornier Medizintechnik which have designed "tactile forceps".

The jaws of the forceps are fitted with sensors that measure the pressure applied to the instrument inside the patient's body. This information is conveyed to the handle, where actuators convert it into pressure on the surgeon's fingertips. Prototypes of the forceps are now undergoing clinical tests.

Daimler-Benz: Germany, tel 71117 93271; fax 71117 94365.

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Details of speakers and participating companies will be available on the Financial Times web site on: <http://www.ft.com> from the end of August.

INTERNATIONAL CAPITAL MARKETS

US Treasuries flat after large early gains

By Lisa Brannan in New York and Samer Iskandar and Corner Middelmann in London

US Treasuries gave up large early gains and were nearly flat by early afternoon, as traders prepared for an auction and the equity market recovered.

Prices were sharply higher in early trading as declines on international equity markets and an early sell-off in the US led some investors to seek the safety of bonds.

By midday, however, the equity market had recovered and the long bond was just stronger at 87 1/2 to yield 6.95 per cent, while the two-year note was up 1/8 at 100 1/4, yielding 6.26 per cent.

Mr William Shea, senior vice-president in the fixed-income department of Nikko Securities in New York, said the prospect of an afternoon auction of \$12.5bn in five-year notes helped push bonds off session highs.

The 10-year yield spread over bonds widened to 259 basis points as the Bank of Italy's decision late Tuesday to cut rates prompted profit-taking.

The monetary easing was "probably the last piece of good news in the short term", said Mr Bruno Ravelli, an economist at Bank of America.

German bunds had a nervous session while traders speculated on whether the Bundesbank would cut its repo rate after today's fortnightly council meeting.

The main focus today is the Bank of England's auction of 1.5bn of 8 per cent gilt due 2015. While the issue is not expected to see as strong demand as Tuesday's £2bn auction of 2000 stock, which was 4.8 times covered, dealers expected the sale to go well.

UK gilts ended a volatile day slightly higher, with the long gilt future on Liffe settling at 106 1/2, up 1/8 from Tuesday's close.

Stronger than expected retail sales data had no lasting effect on the market, although shorter maturities lagged behind the longer end as the numbers were seen to reduce hopes of another UK rate cut.

A cut in German interest rates at the Bundesbank's council meeting today could lead new support, dealers said.

The eurobond market saw only three new issues in less than trading: an Ecu150m five-year offering for the European Bank for Reconstruction and Development, a Y160m two-year issue for Swedish Export Credit, and a Y250m three-year issue for Bayerische Vereinsbank.

WPG Hennessey, another hedge advisory group, points Latin America as a star performing area, with gains of almost 20 per cent over the year to date and 3 per cent over the past month.

SEC advised to relax restrictions on issuance

The US Securities and Exchange Commission's advisory panel yesterday unveiled a proposal to ease restrictions on companies raising capital by issuing securities.

If the proposal is adopted, it is likely to reduce costs for companies raising money from the markets.

The proposal would convert the current process of "shelf" registration. Instead of registering each proposed transaction, issuers would register with the SEC as a company, thus registering all existing and potential debt and equity securities.

Bangkok gives approval for IFC baht bond issue

By Ted Bardacka in Bangkok

Thailand's finance ministry has responded to a two-year-old request and given the International Finance Corporation (IFC) the go-ahead to issue up to \$300m in baht-denominated bonds.

The issue will give an immediate boost to the supply of high-quality bonds in Thailand's hedging bond market, which has stalled in recent months.

The IFC had asked that the bonds be treated like Thai state-eligible bonds, making them eligible to be held by financial institutions as part of their reserve requirements.

Some observers say this was a concession to those within the ministry who opposed the IFC issue in the first place, on the principle that with a large savings-investment gap, any baht savings should be kept in the country and not swapped into foreign currency.

Global hedge funds outperform leading indices

By Peter John

Global hedge funds sharply outperformed leading US and world indices in the second quarter, with big returns generated from emerging markets.

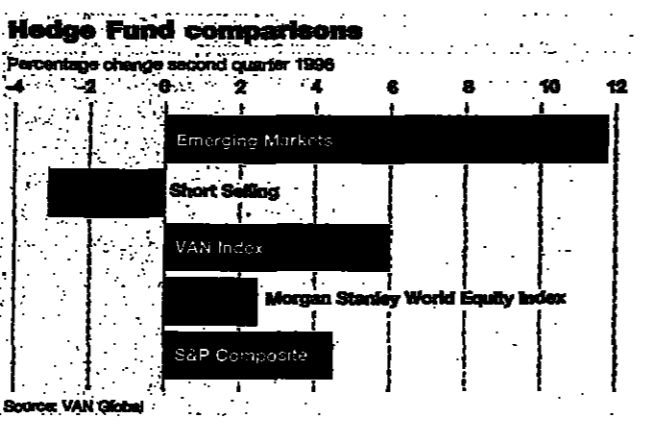
However, broad statistics from hedge fund trackers mask a weaker trend in domestic US funds during June, when heavy selling of shares in smaller companies led not only to underperformance but to an overall fall.

Van Hedge Fund Advisors, a US investment advisory company which looks at the performance of 3,000 hedge funds, says its Global Hedge Fund index rose more than 6 per cent over the quarter, compared with a rise of 2.5 per cent in the World Equity Index and a 4.5 per cent rise in the S&P 500 index.

the aggressive growth funds, which are traditionally big buyers of the small, high-growth companies. They were hit by sharp corrections in technology, bio-tech and small-cap issues.

Nevertheless, Mr George Van, chairman of the Tennessee-based company, said yesterday that fears of a hedge fund led crash on Wall Street were irrational.

"US funds offer quarterly redemption at best. If an investor is unhappy about the market, by the time he is able to do something meaningful the situation has usually changed," he said.



ing from the slide on Wall Street. The same story comes from Mar/Hedge, the New York-based tracker of 700 hedge funds. It concludes that "opportunity managers" took a 1 per cent loss while short sellers reversed their losses in June.

Mar/Hedge reports that Baring Emerging Europe was the best single performer, with a gain of 16.7 per cent. "Funds are really doing well because the emerging markets are doing very well. It is mainly the old eastern European blocks - Poland, Czechoslovakia and particularly, Russia," said Mr Van.

FT-Actuaries Fixed Interest Indices

Table with columns: Price Index, Yield, Duration, etc. for various fixed interest indices.

Table with columns: Price Index, Yield, Duration, etc. for various international bond services.

Table with columns: Coupon, Price, Yield, etc. for benchmark government bonds.

Table with columns: Price Index, Yield, Duration, etc. for US interest rates.

Table with columns: Price Index, Yield, Duration, etc. for bond futures and options.

Table with columns: Price Index, Yield, Duration, etc. for UK gilts prices.

Table with columns: Price Index, Yield, Duration, etc. for FT-Actuaries Fixed Interest Indices.

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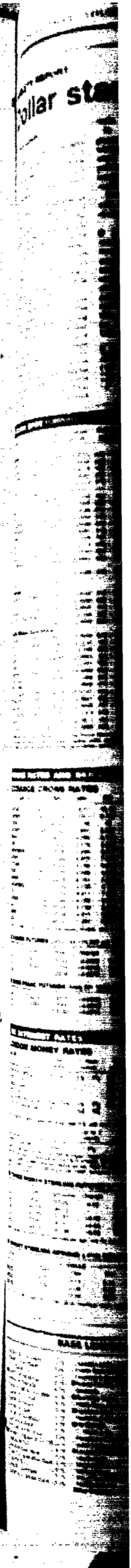
Table with columns: Price Index, Yield, Duration, etc. for FT-Actuaries Fixed Interest Indices.

Large table containing various financial data, including bond yields, interest rates, and market indices.

Other Fixed Interest

Other Fixed Interest

Other Fixed Interest



CURRENCIES AND MONEY

MARKETS REPORT

Dollar stands firm amid stock market weakness

By Philip Gawth

The dollar yesterday managed to stand firm as the generalised weakness of global stock markets failed to offer any clear message to currency markets.

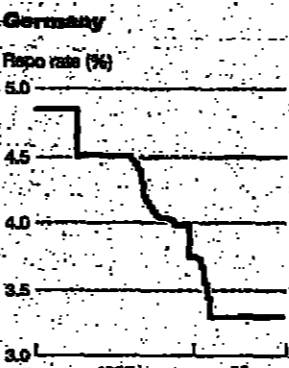
Last week the weakness in US markets contributed to a weaker dollar, but this relationship has become more confused as other markets have started to fall as well. Yesterday the dollar closed little changed in London at DM1.4877 from DM1.4897.

Traders were also reluctant to sell dollars ahead of the Bundesbank council meeting today. Speculation is high that the council will announce a 5-15 basis point cut in the repo rate, from 3.5 per cent.

Mr O'Neill said the dollar's rally had been driven by the expectation of higher rates and evidence of an improving trade balance. Recent events have called both arguments into question.

Coupled with growing US corporate complaints about the dollar's strength, and "very disappointing" May trade data, Mr O'Neill said it was time for a "shift in strategy".

But he also noted that "while a significant decline in the dollar would seem to be opposed to G7 interests, they do not always get their wishes, especially if key players are not so strongly committed."



Another observer who recently turned bearish on the dollar is Mr Brian Marber, a London based technical analyst.

He believes the dollar's fall below 11,500 against the lire on Tuesday confirms a head and shoulders pattern, the inference being a "no time limit decline to 11,300".

Mr Avinash Persaud, currency strategist at J.P. Morgan in London, has done some research examining what can be learnt about the impact of past US equity crashes on the dollar.

He concludes that "the key to the dollar's direction is how the crash affects the course of official interest rates." When interest rates rise before and continue rising after an equity crash, the dollar trends higher.

If rates are falling, the dollar trends lower.

"Worse news for the dollar," said Mr Persaud, "is when an equity crash causes interest rates to stop rising. In six out of six of these occasions (out of the 48 occasions over the past 15 years when the Dow has fallen by more than four per cent within a fortnight) the dollar has fallen back."

Noting that dollar/D-Mark only tends to rally when short rates rise from a high level, Mr Persaud said "the Dow sell-off only effects this outlook to the degree that it leads to an abandonment of Fed tightening at the August FOMC meeting."

WORLD INTEREST RATES

Table with columns for Money Rates (July 24), LIBOR FT London, and EURO CURRENCY INTEREST RATES. It lists various interest rates for different currencies and maturities.

POUND SPOT FORWARD AGAINST THE POUND

Table showing POUND SPOT FORWARD AGAINST THE POUND with columns for Country, Closing mid-point, Change on day, Bid/Offer spread, Day's Mid High, One month, Three months, One year, and Bank of England.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table showing DOLLAR SPOT FORWARD AGAINST THE DOLLAR with columns for Country, Closing mid-point, Change on day, Bid/Offer spread, Day's Mid High, One month, Three months, One year, and J.P. Morgan.

CROSS RATES AND DERIVATIVES

Table showing EXCHANGE CROSS RATES for various currencies including Belgium, Denmark, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK, Canada, and USA.

EMIS EUROPEAN CURRENCY UNIT RATES

Table showing EMIS EUROPEAN CURRENCY UNIT RATES for various countries including Spain, Netherlands, Germany, Austria, Portugal, Ireland, France, and Denmark.

UK INTEREST RATES

Table showing LONDON MONEY RATES for various instruments like Interbank Sterling, Treasury Bills, Bank Bills, and Discount Market rates.

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COMMODITIES AND AGRICULTURE

Farm ministers reach surprise reforms accord

By Neil Buckley in Brussels

European Union farm ministers reached a surprise agreement yesterday on a three-point package, including agricultural prices for 1996-97, reform of the fruit and vegetables market and the rate of set-aside land.

The complex discussions - overshadowed by a new controversy over evidence that "mad cow" disease can be transmitted to sheep - were expected to last possibly until today.

Settlement at Kitimat dents aluminium

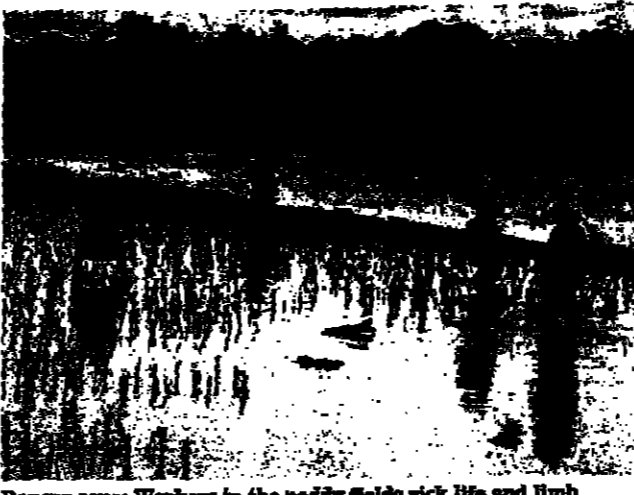
By Kenneth Gooding, Mining Correspondent

News that a strike had been averted at the last moment at Alcan's biggest smelter, the 272,000-tonnes-a-year Kitimat plant, dented aluminium prices on the London Metal Exchange yesterday.

Unexploded Vietnam war bombs still curb cultivation Toiling in Laos' killing fields

By John Madeley

Agriculture in Laos is severely hindered by unexploded bombs that were dropped during the Vietnam war. From 1964 to 1973, Laos endured protracted and intense ground battles and some of the heaviest aerial bombing ever known.



Danger zone: Workers in the paddy fields risk life and limb

subistence rice-farming families who rely on rainfall to water their crops. Deforestation is severe, both because of logging for export and "slash and burn" agriculture, and has led to decreased water supply.

BHP wins six-year deal with miners

By Nikki Tall in Sydney

As Australia's striking coal miners were ordered back to work yesterday, BHP announced that it had reached a six-year agreement with the powerful Construction, Forestry, Mining and Energy Union, covering industrial relations issues at 13 coal-mining operations and associated coal-loading facilities.

The 48-hour national coal strike was called on Tuesday after eight miners who were picketing the Vicky coal mine in New South Wales were arrested.

Output of Voisey Bay mine will create watershed in nickel prices

By Nikki Tall in Sydney

Nickel prices are set to rise for the next two years and will peak in 1998 before declining in 1999-2000 as output from the new Voisey Bay mine in Canada "puts a new floor under nickel production costs" and the nickel market moves into surplus, according to the latest forecasts from AME Mineral Economics, the Sydney-based research firm.

The forecasters envisage that the nickel price will average around US\$4.50/lb (in 1995 dollars) in 1998, the peak year of the current cycle, compared with \$3.74/lb in 1995. They see an average price of US\$3.25/lb this year, rising to US\$4.30/lb in 1997. They predict an average annual growth rate in global nickel consumption of 3.1 per cent over the next decade, taking total consumption to 1.31m tonnes by the year 2005.

In particular, many of the developing Asian economies - notably Taiwan, South Korea and India - will post sharp demand increases. AME reckons that "developing Asia", which currently consumes 13 per cent of western nickel output, will take about 21 per cent by the year 2005.

When Chinese consumption is added to the equation, East Asia will account for close to one-quarter of global nickel consumption by 2005, it says.

However, western primary nickel production will exceed 680,000 tonnes this year, a record, and top in tonnes a year by 2005, although Voisey Bay's production "will inevitably result in the deferral and even cancellation of marginal nickel projects and make it that much harder for new players to enter the industry".

COMMODITIES PRICES

BASE METALS

Table with columns for metal type (Aluminum, Copper, Lead, Zinc), price change, and price per tonne.

Precious Metals continued

Table with columns for metal type (Gold, Silver, Platinum, Palladium), price change, and price per ounce.

GRAINS AND OIL SEEDS

Table with columns for grain type (Wheat, Corn, Soybeans, Barley), price change, and price per bushel.

SOFTS

Table with columns for soft type (Cocoa, Coffee, Sugar), price change, and price per unit.

MEAT AND LIVESTOCK

Table with columns for livestock type (Live cattle, Live hogs, Pork bellies), price change, and price per unit.

ENERGY

Table with columns for energy type (Crude oil, Heating oil, Natural gas), price change, and price per barrel/cubic foot.

PRECIOUS METALS

Table with columns for metal type (Gold, Silver, Platinum, Palladium), price change, and price per ounce.

FUTURES DATA

Table with columns for futures type (Nickel, Copper, Aluminum), price change, and price per unit.

VOLUME DATA

Table with columns for volume type (Copper, Aluminum, Nickel), volume change, and volume per unit.

INDICES

Table with columns for index type (Reuters, CRB, S&P 500), price change, and index value.

JOTTER PAD

A grid for a crossword puzzle with numbers indicating starting positions.

CROSSWORD

No.9,129 Set by ADAMANT

A crossword puzzle grid with numbers 1-27.

- 1 Laid back about bet (largest)
2 Checks nothing is missing from a studio production (8)
3 Cancelled article about Name and pulled out quietly (8)
4 Slight misadventure, namely unlawful possession (6)
5 The main passage can't tail off (8)
6 Not an amateur heavyweight? That's the lightest bit (6)
7 Advertising campaigns for computer chips in drinks (10)
8 I'm standing for the heavy burden (10)
9 In charge of English fight - it's a challenge (6)
10 One might spread gossip about Orcaidan, for example (8)
11 Unimportant details on classic quartet in endless rehearsal (6)
12 Happened to be dropped (5)
13 Cheer about love's come back (3-4)
14 Was at the meeting two hours before midday, feeling numb, it's said (6)
15 Depressed about damage arising from theatrical experience (6)
16 One record (6)
17 Go up to Erica, making eyes (6)
18 After meal out, I speak better (10)

Handwritten signature: JAVICO 1996



FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing Bermuda funds including Fidelity Currency Funds Ltd, Fidelity International Growth Fund Ltd, and Fidelity International Bond Fund Ltd.

Table listing Bermuda funds including Fidelity International Growth Fund Ltd, Fidelity International Bond Fund Ltd, and Fidelity International Equity Fund Ltd.

BERMUDA (REGULATED)

Table listing Bermuda regulated funds including Fidelity International Growth Fund Ltd, Fidelity International Bond Fund Ltd, and Fidelity International Equity Fund Ltd.

GUERNSEY (SIB RECOGNISED)

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GUERNSEY (REGULATED)

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IRELAND (SIB RECOGNISED)

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IRELAND (REGULATED)

Table listing Ireland regulated funds including Fidelity International Growth Fund Ltd, Fidelity International Bond Fund Ltd, and Fidelity International Equity Fund Ltd.

ISLE OF MAN (SIB RECOGNISED)

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ISLE OF MAN (REGULATED)

Table listing Isle of Man regulated funds including Fidelity International Growth Fund Ltd, Fidelity International Bond Fund Ltd, and Fidelity International Equity Fund Ltd.

JERSEY (SIB RECOGNISED)

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Advertisement for BHP six-year deal with miners, featuring a large image of a mining truck and the text 'CROSSWORD'.



Advertisement text for the image, including the name 'CROSSWORD' and other promotional information.

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

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Table listing various offshore funds such as Perpetual US Mgrs (Honey) Ltd, The Perpetual Fund (Global), Royal UK of Scotland (FD Mgrs) Ltd, and TSB Fund Managers (UK) Ltd. Columns include fund name, price, and change.

LUXEMBOURG (SIB REGISTERED)

Table listing Luxembourg funds including ABN AMRO Funds (UK), The Perpetual Fund (Global), and various international equity and bond funds.

AMERICAN FUNDS

Table listing American funds such as American Mutual Investment Portfolio (UK), American Mutual Investment Portfolio (UK), and various equity and bond funds.

SWISS FUNDS

Table listing Swiss funds including Swiss American Growth Fund, Swiss American Growth Fund, and various equity and bond funds.

EUROPEAN FUNDS

Table listing European funds such as European Growth Fund, European Growth Fund, and various equity and bond funds.

ASIAN FUNDS

Table listing Asian funds including Asian Growth Fund, Asian Growth Fund, and various equity and bond funds.

AFRICAN FUNDS

Table listing African funds such as African Growth Fund, African Growth Fund, and various equity and bond funds.

GLOBAL FUNDS

Table listing global funds including Global Growth Fund, Global Growth Fund, and various equity and bond funds.

LUXEMBOURG (REGULATED)

Table listing regulated Luxembourg funds such as American Mutual Investment Portfolio (UK), American Mutual Investment Portfolio (UK), and various equity and bond funds.

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OFFSHORE INSURANCES

Table listing offshore insurance companies and their products, including various life and general insurance policies.

Table listing offshore insurance companies and their products, including various life and general insurance policies.

Table listing offshore insurance companies and their products, including various life and general insurance policies.

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FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 1773) 873 4378 for more details.

Main table containing various fund listings with columns for fund name, price, and other details. Includes sub-sections for 'OTHER OFFSHORE FUNDS' and 'MANAGED FUNDS NOTES'.

Handwritten text in a box at the top of the page, possibly a date or reference number.

Advertisement for a conference with a difference, featuring the text 'FOR A CONFERENCE WITH A DIFFERENCE, JUST USE OUR IMAGINATION.' and an image of a person.

MANAGED FUNDS NOTES: A detailed section providing information about the managed funds service, including contact details and a disclaimer.



BY TRUSTS SPLIT CAPITAL - Cont.

Table listing various investment trusts and their share prices, including columns for company names and prices.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts and their share prices.

INVESTMENT COMPANIES

Table listing investment companies and their share prices.

LEISURE & HOTELS

Table listing leisure and hotel companies and their share prices.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies and their share prices.

OTHER FINANCIAL

Table listing other financial companies and their share prices.

OTHER FINANCIAL

Table listing other financial companies and their share prices.

OTHER FINANCIAL

Table listing other financial companies and their share prices.

OTHER FINANCIAL - Cont.

Table listing other financial companies and their share prices.

PROPERTY - Cont.

Table listing property companies and their share prices.

PROPERTY - Cont.

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PROPERTY - Cont.

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PROPERTY - Cont.

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PROPERTY - Cont.

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PROPERTY - Cont.

Table listing property companies and their share prices.

PROPERTY - Cont.

Table listing property companies and their share prices.

SUPPORT SERVICES - Cont.

Table listing support services companies and their share prices.

SUPPORT SERVICES

Table listing support services companies and their share prices.

SUPPORT SERVICES

Table listing support services companies and their share prices.

SUPPORT SERVICES

Table listing support services companies and their share prices.

AIM - Cont.

Table listing AIM companies and their share prices.

AMERICANS

Table listing American companies and their share prices.

CANADIANS

Table listing Canadian companies and their share prices.

SOUTH AFRICANS

Table listing South African companies and their share prices.

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Stock, a member of the Financial Times Group. Company classifications are based on those used for the FT SE Advances and Index.

Advertisement for Stoves PLC featuring the text: 'FLEXIBILITY IS KEY TO OUR SUCCESS. THE WILLINGNESS OF OUR WORKFORCE TO EMBRACE NEW WAYS OF FLEXIBLE WORKING HAS BEEN INVALUABLE.' Includes contact information for John Crathorne, Chief Executive.

LONDON STOCK EXCHANGE

MARKET REPORT

UK shares on the retreat after Dow gyrations

By Steve Thompson, UK Stock Market Editor

European stock markets, including London, were gripped with a real fear that Wall Street was about to embark on another three-figure slide yesterday and retreated across the board.

Worries concerning Wall Street, were triggered overnight by reports that Ms Elaine Garzarelli, the Wall Street pundit, formerly with Lehman Bros but who still commands a big following with investors across the Atlantic, had predicted a big retracement in US stocks.

The reports suggested a 15 to 20 per cent retracement from their previous highs by the Dow and the Nasdaq stock measures which would take them back to around 4,600 and 1,000 respectively.

Against most forecast of just short of one percentage point, causing further unease. Other stories unsettling the stock market included lingering worries about the forthcoming sale of Standard Life's 25 per cent stake in Bank of Scotland, which was said by some traders to be encountering investor resistance earlier in the week.

Mr Richard Jeffrey, economist at Charteredhouse TINEE, the stockbroker, said "the underlying concerns for London are always the vulnerability of Wall Street, but London is still not fundamentally overvalued."

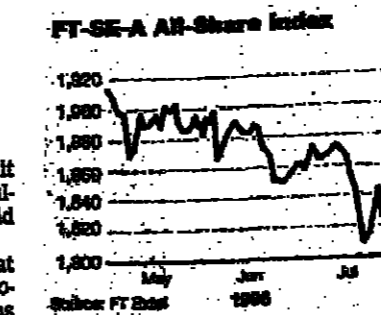


Table with 2 columns: Index Name and Value. Includes FT-SE 100, FT-SE Mid 250, FT-SE All-Share, and various bond yields.

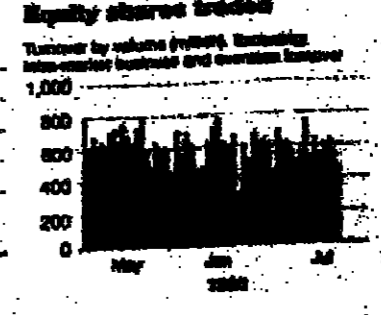


Table with 2 columns: Sector Name and Performance. Lists sectors like Extractive Industries, Tobacco, and Health Care with their respective changes.

Suter up after bid news

A spark of interest returned to conglomerates following news of a bid approach to Suter. The sector has lagged the market as a whole by 26 per cent over the past year and yesterday market talk was all about potential value release.

mark, and looked favourable in turnover terms. "Swedish" turnover was £322m last year. This looks a good deal," said one analyst. He added: "Swedish" operating margins are around 7 per cent, almost half those of Stagecoach's UK bus business with plenty of scope for improvement."

Bank of Scotland was the only banking stock that managed to resist the poor market trend as speculation about the outcome of the bookbuilding process to sell its 29 per cent stake in Standard Life continued to do the rounds of the market yesterday. The shares edged 1/4 forward to 233p, after trade of 2.6m.

for this year and next, and says that given the recent disparate share price performance of the two companies Orange provides the better value.

said by one analyst for weakening Unigate which fell 6 to 39p. The sharp decline of the market saw Glaxo Wellcome reverse Tuesday's strong gains that followed positive news on Evigir, the group's anti-HIV drug. The shares gave up 27 1/2 to 86p.

FUTURES AND OPTIONS

Table with 2 columns: Instrument Name and Price. Lists FT-SE 100 Index Futures and Options with their current prices and changes.

TRADING VOLUME

Table with 2 columns: Stock Name and Volume. Lists major stocks and their trading volumes for the previous day.

Stagecoach rises

Bus and rail operator Stagecoach supplied the market with good news for the second day running and in the process jumped to the top of the FT-SE Mid 250 rankings.

Reuters easier

International media group Reuters won the dubious honour of worst performer in the Footsie yesterday, following its interim figures.

Financial Times Equity Indices

Table with 2 columns: Index Name and Value. Shows the performance of various equity indices including Ordinary Shares, Ord. div. yield, P/E ratio, etc.

London Market Data

Table with 2 columns: Metric Name and Value. Provides summary statistics for the London stock market such as Total Shares, Total Value, and Total Contracts.

FT Gold Mines Index

Table with 2 columns: Country Name and Index Value. Tracks the performance of gold mining stocks from various countries.

LONDON RECENT ISSUES: EQUITIES

Table with 2 columns: Stock Name and Price. Lists recently issued equity securities and their market prices.

FT-SE Actuaries Share Indices

Table with 2 columns: Index Name and Value. Shows the performance of various actuarial share indices.

Advertisement for FT Financial Publishing. Features the 'FINANCE' logo and text: 'The following management reports offer invaluable, up-to-the minute information often unavailable elsewhere. Priced between £250 and £350 they represent the best value for those requiring the latest reliable research.' Includes a form for requesting reports.

Large table containing FT-SE Actuaries Share Indices and FT-SE Actuaries 350 Industry Basket. The table lists numerous industry sectors and their corresponding index values and changes.

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

Table of stock prices for European markets including Austria, Belgium, Greece, Germany, France, Ireland, Italy, Luxembourg, Portugal, Spain, and Switzerland. Columns include stock names, prices, and changes.

AMERICA

Table of stock prices for American markets including Canada, Mexico, and various US indices and futures.

PACIFIC

Table of stock prices for Pacific markets including Japan, Korea, and Australia.

ASIA

Table of stock prices for Asian markets including Hong Kong, Singapore, Malaysia, Philippines, and Thailand.

AFRICA

Table of stock prices for African markets including South Africa, Egypt, and Kenya.

Table of stock prices for European markets (continued) including Greece, Germany, France, Ireland, Italy, Luxembourg, Portugal, Spain, and Switzerland.

Table of stock prices for American markets (continued) including Canada, Mexico, and various US indices and futures.

Table of stock prices for Pacific markets (continued) including Japan, Korea, and Australia.

Table of stock prices for Asian markets (continued) including Hong Kong, Singapore, Malaysia, Philippines, and Thailand.

Table of stock prices for African markets (continued) including South Africa, Egypt, and Kenya.

Table of stock prices for European markets (continued) including Greece, Germany, France, Ireland, Italy, Luxembourg, Portugal, Spain, and Switzerland.

Table of stock prices for American markets (continued) including Canada, Mexico, and various US indices and futures.

Table of stock prices for Pacific markets (continued) including Japan, Korea, and Australia.

Table of stock prices for Asian markets (continued) including Hong Kong, Singapore, Malaysia, Philippines, and Thailand.

Table of stock prices for African markets (continued) including South Africa, Egypt, and Kenya.

Advertisement for Rockwell: 'By meeting customer needs, Rockwell has become a world leader in components and systems for cars, trucks and trailers. Rockwell logo.' Includes Rockwell logo.

NEW YORK STOCK EXCHANGE PRICES

4 pm close July 24

Table of stock prices for various companies including IBM, GE, and Ford, with columns for stock name, price, and change.

Table of stock prices for various companies including AT&T, RCA, and General Electric, with columns for stock name, price, and change.

Table of stock prices for various companies including American Express, United Fruit, and American International, with columns for stock name, price, and change.

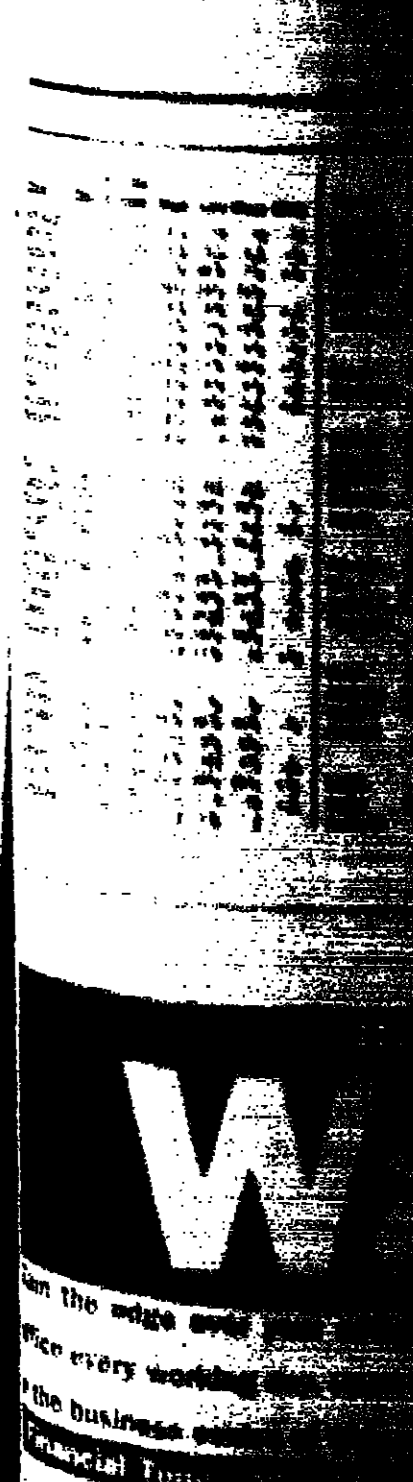
Table of stock prices for various companies including American Telephone, American Express, and American International, with columns for stock name, price, and change.

Table of stock prices for various companies including American Telephone, American Express, and American International, with columns for stock name, price, and change.

Table of stock prices for various companies including American Telephone, American Express, and American International, with columns for stock name, price, and change.

BE OUR GUEST. CIRAÇAN PALACE HOTEL Kempinski Istanbul. When you stay with us in ISTANBUL stay in touch - with your complimentary copy of the FINANCIAL TIMES.

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NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', '-V-', '-W-', '-X-Y-Z-', and '-U-'.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for '-R-', '-S-', '-T-', '-U-', '-V-', '-W-', '-X-Y-Z-', and '-K-'.

AMEX PRICES

Table of AMEX stock prices including columns for stock name, price, change, and volume.

Advertisement for Warsaw newspaper delivery. Text: 'Have your FT hand delivered in Warsaw. Gain the edge over your competitors by having the Financial Times delivered to your home or office every working day. Hand delivery services are available for all subscribers who work or live in the business centre of Warsaw. Please call +48 2 644 5522 for more information. Financial Times. World Business Newspaper.'

AMERICA Bargain hunters calm Dow's early wild ride

Wall Street The US equity market gave investors another wild ride yesterday as declines on international markets and worries about technology stocks rattled investors, writes Lisa Branstetter in New York.

It really appeared to be staging a repeat performance of its near-record breaking losses as it fell 31.43 in the first moments of trading. Bargain hunting moved the index briefly into positive territory, but by early afternoon it was off 6.93 at 1,042.14.

Canada Toronto stumbled further as high-technology stocks took another hit in North America. The TSE-300 composite index was 35.18 down by midsession at 4,883.40, up from an opening low of 4,871.54, but in relatively weak volume of 37.6m shares.

EUROPE Long awaited rate cut fails to lift Milan

The long awaited reduction by the Bank of Italy of official interest rates, announced after the market closed on Tuesday, failed to save MILAN as sharp falls elsewhere in Europe, and Wall Street's early decline, proved more persuasive.

Profit-taking combined with a reaction to share price losses in US high tech stocks to leave preferred shares in the software maker, S&P, down by DM10.50, or 4.8 per cent to DM239.30.

Losses, the CAC-40 index ending down 28.13 at 1,964.10. Turnover was FF7.5bn, fattened up by a number of large block trades; these included 500,000 shares in Alcatel Alsthom, which shed FF8.20 at FF297, and 630,000 in Legrand, which closed FF8.50, or 2.1 per cent lower at FF120.50.

STOCKHOLM's banking sector held up well, losing only 0.1 per cent, but traders took heavyweights as the Aftersvriden General index closed 40.7, or 2.3 per cent lower at 1,845.1.

Mexico tumbles 1.1% at midsession

Mexico City tumbled at the opening, along with markets around the world which took their lead from Wall Street and, by midsession, shares remained weak in spite of the stronger performance of the

Dow Jones Industrial Average. The IPC index fell 33.87 or 1.1 per cent to 2,969.42.

BUENOS AIRES was rattled by the fresh bout of selling in leading world markets and by noon the Merval index, down 3.5 per cent in the previous two sessions, was 6.38, or 1.2 per cent lower at 534.72.

ASIA PACIFIC Nikkei falls 2.5% on Shizuoka Bank fears

Tokyo More foreign selling, weakness on Wall Street overnight and renewed rumours of a huge trading loss at Shizuoka Bank took the Nikkei average to its biggest loss of the year, writes Our Markets Staff.

The 225 index fell 532.66, or 2.5 per cent to 20,631.03, although volume thinned further, from 310m shares to 273m.

London The ISE/Nikkei 50 index was down 0.54 at 1,389.75. Banks were mostly weaker but Shizuoka, the fifth most active stock of the day, dropped Y60, or 4.6 per cent to Y1,240.

Singapore The Straits Times Industrial Index dropped 32.34 to close at 2,137.13, breaking through support at the 2,150 level.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

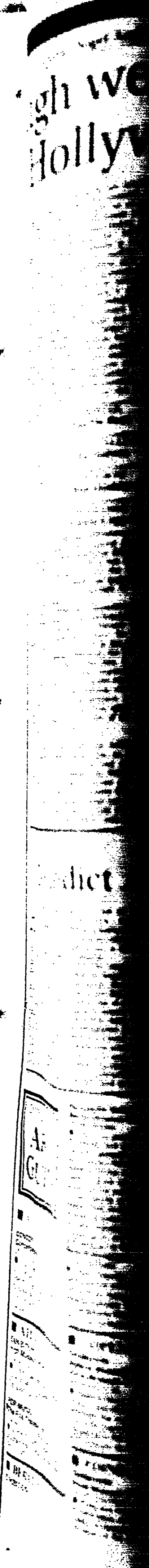
Table with columns: Market, No. of stocks, Dollar terms (July 19 1996, % Change over week, % Change on Dec 95), Local currency terms (July 19 1996, % Change over week, % Change on Dec 95). Lists various emerging markets like Latin America, Argentina, Brazil, Chile, etc.

Investors returned in force to emerging markets during the first six months of the year, lured back by the increasing popularity of privatisations in many regions, according to a review by an Kleinman International, a Washington-based independent analyst, writes Michael Morgan.

FT/S&P ACTUARIES WORLD INDICES

Table with columns: NATIONAL AND INTERNATIONAL MARKETS, US Dollar Index, Day's Change, Point Change, Local Currency, Local Yield, US Dollar Index, Point Change, Local Currency, Local Yield, DOLLAR INDEX. Lists various world indices like Australia, Europe, Japan, etc.

ASKO Deutsche Kaufhaus AG Deutsche SB-Kauf AG KAUFHOF Holding AG were merged in METRO AG Cologne Deutsche Morgan Grenfell acted as Coordinator of METRO AG's banking consortium in the issuance of the new METRO shares in the aggregate nominal amount of DM213,014,235 and the listing of METRO AG's share capital in the aggregate nominal amount of DM501,014,235 Deutsche Morgan Grenfell



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The FT Interview • Alexander Lebed

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL. Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Thursday July 25 1996

Europe needs lower rates

Between 1990 and 1995 the real economy of the European Union expanded at an average rate of 1 1/2 per cent. The US, meanwhile, has grown at a rate of close to 2 per cent. Neither performance is even close to stellar. But the EU's is downright miserable. The Bundesbank does not bear all - or even most - of the blame. But it does bear some of it. It needs to act to improve prospects now.

Monetary growth

Even the growth of German broad money (M3) has started to slow after three-quarters of a year of rapid growth. In June it registered an annualised increase of 9.6 per cent over the average level in the last quarter of 1995 - a sharp fall from the 12.3 per cent rate of growth in the period to March.

New order at Stock Exchange

Bit by bit, the arcane panoply of rules, privileges and obligations governing life at the London Stock Exchange is being picked apart. After anomalous rows and the loss of its second chief executive in three years, the exchange at last appears on course towards modernising the system under which it trades shares.

Selling points

The immediate conundrum faced by the exchange and its regulators was twofold. How do you prevent such a change jeopardising the strong liquidity which is one of the London market's most important selling points, and which the marketmakers play a key role in maintaining? And given that the public order book

ing the first part of 1996, the annualised rate of monetary growth from the average for the last quarter of 1994 to May 1996 was only a little above 4 per cent. This is at the bottom of the target range.

Signs of recovery

The most obvious argument against further easing is that it would be ill-timed, since the German economy ministry expects growth in the second quarter to make up for the decline in the first. There are indeed clear signs of recovery from the mini-recession of late 1995 and early 1996. But there seems little reason to expect it to threaten monetary stability, either in Germany or the European economies closely linked to it.

will coexist with telephone trading, how do they ensure that prices displayed reflect market reality and thus command investor confidence?

Tax breaks

No chancellor will readily sacrifice £1.3bn in revenue. But Mr Kenneth Clarke has agreed to the continued use of tax breaks in the interests of liquidity. In considering what form they should take, the SIB has sensibly decided against obliging marketmakers to "earn" their stamp duty relief by posting continuous two-way prices that would artificially distort prices and dampen business.

When an obscure provincial general, attracted 11m votes and came third in the first round of Russia's presidential elections in June, many observers were shocked. But it came as no surprise to the former maverick officer who promptly pledged support for Mr Yeltsin in return for the chairmanship of the Security Council, one of the Kremlin's most powerful posts.

Not everyone shares Mr Lebed's serene confidence that his rise to power is part of heaven's plan to save Russia. In the five weeks since the maverick officer burst on to the political scene, western and Russian observers have swung wildly between approval and suspicion.

At the busting offices of the Security Council work seems to be the first order of the day. Instead of the surly lethargy which characterises most of the Russian bureaucracy, Mr Lebed's headquarters buzz with an urgency which is frankly military. The former general's time-keeping is precise and his



A fatalist in the line of fire

Russia's new security chief tells Chrystia Freeland about the challenges that face his government and his conviction that he is the right man to overcome them

When Mr Lebed joined the Kremlin team last month, he was hailed as the saviour of Russian democracy whose popular appeal would help President Boris Yeltsin secure a victory over the communists. But the outspoken retired general swiftly alienated many of his enthusiastic supporters.

Undergoing radical restructuring, she joined Banque Indosuez in 1983 as head of mergers and acquisitions. That experience will no doubt come in handy at Bank, a loose collection of businesses, grouped into four broad divisions, but largely run independently.

After this bout of pop psychotherapy, Klein will return to writing his political column. But perhaps it should carry a health warning in future. Not because it might be lies, but because the future seems to have warped his judgment.

OBSERVER

undergoing radical restructuring, she joined Banque Indosuez in 1983 as head of mergers and acquisitions. That experience will no doubt come in handy at Bank, a loose collection of businesses, grouped into four broad divisions, but largely run independently.

Wages of piety American journalists who approach their profession with high seriousness, have whipped themselves into a fit of ethical rages over the fact that *Pravda*, Orlans author Joe Klein tried to avoid admitting he had written a bestseller. Now he has been forced to apologise to his colleagues at Newsweek magazine, for lying about his authorship.

Nuls points The French government may be desperate to rein in its budget deficit. But there are limits to its parsimony. And they are drawn short of Atlanta, Georgia.

magazine's staff. "I want him to bear the full force of your concern, your confusion and your anger," Richard Smith, the Newsweek president, told a staff meeting.

Why does Prince Charles talk to trees? Barbara Schmitz, a German national working in London whose informal study of how to get along with the Brits has been aired in this column reckons she has just stumbled across the answer.

What is more, the sports ministry says it is quite prepared to bust its FF7m budget for the bonuses if the performance of French athletes requires it. Based on the medals count to date, this cannot be ruled out. France was yesterday fifth in the table - much higher than usual - with 19 medals, equivalent to nearly FF7m in bonus payments.

Barking mad Why does Prince Charles talk to trees? Barbara Schmitz, a German national working in London whose informal study of how to get along with the Brits has been aired in this column reckons she has just stumbled across the answer.

separatist fighters has dragged on for more than 18 months and claimed more than 40,000 lives. He then argued that the country should be allowed to leave the Russian federation if its people voted to do so in a national referendum.

On economic issues, which Mr Lebed is hoping to claim as at least partially coming under his broad redefined mandate to oversee national security, the former general is less footsure. On one hand he insists "you don't need to reject the very idea of reform, the idea of reforms is good, the idea is strategic."

He is also one of the only men bold enough to break with the official incantation - dutifully chanted by everyone from Al Gore, the US vice-president recently in Moscow, to the Russian premier - that Russia's president is working as vigorously as ever. Instead, Mr Lebed says his boss "feels a certain moral exhaustion, a moral, emotional and psychological exhaustion."

Financial Times

100 years ago Anglo-American Telegraph The half-yearly general meeting of the Anglo-American Telegraph Company took place yesterday in the City of London.

50 years ago Canada Wheat Growers Stronger world wheat prices are expected to follow the signing of the Canadian contract with Britain. It is expected to raise initial payments to wheat growers from the present \$1.25 per bushel to \$1.50 or \$1.60.

Free flights and cheap mortgages for civil servants

Bonn agrees incentives for transfer to Berlin

By Judy Dempsey in Bonn

German taxpayers face a bill of up to DM3bn (\$1.9bn) in allowances and expenses for the 12,000 civil servants who will be relocated as the federal government moves from Bonn to Berlin.

using the free flights allowance every weekend to visit their families in Bonn. The measures have already been approved by parliament.

the government was doing everything possible to keep the total costs of the Umzug under DM20bn. The Association of Taxpayers' DM128,000 estimate of the cost of each person's move to Berlin is well above the normal "separation money" paid for removal expenses.

Sumitomo loan aid extended to cope with \$1.8bn loss

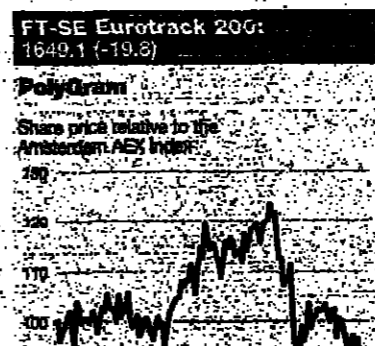
By Emiko Terazono in Tokyo

Sumitomo Bank said yesterday it had extended loans to Sumitomo Corporation to help the Japanese trading house cope with an estimated \$1.8bn in copper market losses.

Hollywood thrills

THE LEX COLUMN

PolyGram is in a tricky situation. It has been labelled a growth stock, but has failed to grow since 1994. And while the management can point to plenty of reasons why profits should pick up, the excess have been heard before.



The OPT is chipping away at this monopoly. BSKyB will not be able to bundle its channels quite as much as in the past - though it is not being required to unbundle completely.

Bank of England to expand supervisory role after Barings

By Nicholas Denton in London

The Bank of England is to hire 100 people, raise pay for specialist staff and spend an extra £2m (\$12.5m) a year to strengthen banking supervision after the collapse of Barings bank.

But the Bank said it would continue to occupy the middle ground in international banking supervision, adopting neither the multitude of rules that apply to banking in the US, nor the laissez faire policy of New Zealand.

which concluded among other things that staff did not think hard enough when they identified a problem. "People are not experienced enough that is a fact and we cannot hide that," said Mr Davies.

Reuters

For a hot news and information group, Reuters flashed up some pretty unimpressive headlines yesterday. Reuters' effective pay-TV monopoly has several elements: it dominates the most popular sports and film programming, and it controls satellite distribution.

BSkyB

Britain's Office of Fair Trading (OFT) has rapped BSKyB over the knuckles. But the media group's lock on the UK pay-television market has not been seriously challenged.

London Stock Exchange

Goodbye marketmakers; hello market intermediaries. That is to be the new name for privileged operators in London's equity markets. In exchange for providing "intermediary services", they will be exempt from stamp duty, the 0.5 per cent tax on share transactions.

Lebed pledge Danish banks fear over Emu

Continued from Page 1

striving to overcome with a relaxed demeanour and willingness to discuss the sacred cows of Russian policy with westerners - Nato is a telling example.

would face additional problems staying outside Emu. "We thought we could be linked to Target on the same terms as Emu members but it looks more difficult than ever now to provide an arrangement which would satisfy Danish banks," she told the financial daily Børsen.

said this would not affect the group's London operations. The Danish banks' comments are likely to add to concern in London about whether any discrimination could undermine its role as a financial centre.

Sumitomo

Copper traders and financial companies which acted for Sumitomo insist that the deals by Mr Hamanaka were authorised. Mr Akiyama had publicly praised Mr Hamanaka's efforts several times in recent years and the company said in March that his influence on the market was an important reason for its participation in an Indonesian copper joint venture.



Without us, they couldn't run a tight ship.

Nippon Yusen Kaisha, owners of one of the world's largest merchant fleets, are determined that no oil will leak from their ships. That's why NYK's giant tanker "Tobzan" is equipped with Aiguard, a revolutionary anti-pollution propeller shaft sealing system supplied by Japan Marine Technologies, part of John Crane Marine International.

TI GROUP

WORLD LEADERSHIP IN SPECIALISED ENGINEERING

FT WEATHER GUIDE Europe today Five-day forecast TODAY'S TEMPERATURES Table with columns for city, temperature, and weather conditions.

مكتبة الأصيل